



Special Inspector General for Iraq Reconstruction

Quarterly Report to the
United States Congress

[October 30, 2012]

(Public Laws 108-106 and 95-452, as amended)

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SIGIR Mission Statement

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

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

The jurisdiction of the Office extends to amounts appropriated or otherwise made available for any fiscal year to the Iraq Relief and Reconstruction Fund, the Iraq Security Forces Fund, the Commander's Emergency Response Program; or for assistance for the reconstruction of Iraq under the Economic Support Fund, the International Narcotics Control and Law Enforcement account, or any other provision of law.

(Section 3001 of Public Law 108-106, as amended)



July 20, 2012: An Iraqi soldier stands guard near al-Qaim border crossing in Anbar province, which was opened to Syrian refugees four days later, closed again on August 24, and then reopened on September 18, with entry limited to women, children, and the elderly. (Reuters photo)

An outline map of Iraq, showing its international borders and internal provincial boundaries. The map is rendered in a light brown or tan color. The text is overlaid on the map.

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AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO





MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

I am pleased to present our 35th Quarterly Report to the U.S. Congress and the Secretaries of State and Defense.

On October 16, 2012, the Council of Ministers dismissed Central Bank of Iraq (CBI) Governor Sinan al-Shabibi, amid allegations of corruption leveled against him. This peremptory and constitutionally questionable move occurred as an audit of the CBI's foreign currency auctions surfaced. The audit purportedly found that perhaps 80% of the \$1 billion purchased at weekly CBI-managed auctions was tied to illegal transactions, with the funds subject to those transactions potentially lost abroad to money laundering. This development is symptomatic of a troubled year in Iraq, evidenced by increasing corruption, resurgent violence, deepening ethnosectarian strains, growing apprehensions about the conflict in Syria, and widening divides within the coalition government.

Despite these daunting challenges, Iraq achieved record electricity production this quarter (averaging about 7,300 megawatts), the highest crude oil output since 1990 (more than 3 million barrels per day), and a post-1990 record volume of crude oil exports (almost 2.6 million barrels per day). Moreover, the country's economic growth rate remained at above 10%. The polarity between these evident economic successes and the constraints imposed by a variety of political and security impediments continues to limit Iraq's democratic progress.

On September 10, President Barack Obama nominated Ambassador Robert Stephen Beecroft, a career Foreign Service Officer and deeply experienced Middle East diplomat, to be the next Ambassador to Iraq. After quick confirmation by the U.S. Senate, Ambassador Beecroft presented his credentials to Foreign Minister Hoshiyar Zebari on October 14. The new Ambassador has worked in Iraq since July 2011, first as Deputy Chief of Mission and, since June 2012, as Chargé d'affaires.

On October 1, the Department of State (DoS) Bureau of International Narcotics and Law Enforcement Affairs (INL) launched a revised Police Development Program, known as PDP 2. INL's original plan envisioned a program involving 350 advisors. In response to SIGIR audits, DoS's six-month program review, and the expressed desires of the Ministry of Interior, the program was wisely scaled down, saving substantial taxpayer dollars in the process. PDP 2 now requires 36 advisors, divided evenly between Baghdad and Erbil.

SIGIR published its eighth lessons learned report this quarter, entitled *Iraq Reconstruction: Lessons from Auditing U.S.-funded Stabilization and Reconstruction Activities*. A key aspect of SIGIR's audit work has focused on capturing lessons learned from the Iraq rebuilding experience applicable to other contingencies, including Afghanistan. The lessons in this latest report echo those uncovered in previous work, including the need to reform the U.S. approach to stabilization and reconstruction operations (SROs). A bill to implement those reforms is pending in the Congress.

SIGIR released three audits this quarter:

- **U.S. management of efforts to improve the rule of law in Iraq.** This audit examined INL, Department of Justice, and U.S. Agency for International Development management of a \$209 million program to establish an effective corrections system, reform pretrial detention programs, and modernize the prisons, and another \$198 million program to develop the Iraqi judiciary, establish security, and reform court administration. SIGIR concluded that lasting institutional reform of the judicial system—and the entire rule-of-law system—requires a long-term, sustained commitment by the Iraqi government.

- **Final review of DoS's management of Quick Response Funds in 2007 and 2008.** This is the third report on DoS management of the \$258 million program initiated to provide Provincial Reconstruction Teams in Iraq with a flexible means to pay for local projects. SIGIR concluded that effective internal controls, which were missing at the start of this program, must be included in the design of any cash-transaction assistance program implemented during an SRO.
- **Management of the Development Fund for Iraq (DFI).** SIGIR examined the U.S. Army Corps of Engineers (USACE) management of the \$2.5 billion in DFI monies it received in 2003–2004, finding that USACE failed to establish effective internal controls to document that goods and services paid for using DFI funds were received.

This quarter's investigative accomplishments included:

- the guilty plea of the former chief of party in Baghdad for the United States Institute of Peace to one count of conspiring to commit wire fraud, and the arrest of a co-conspirator in July by British law-enforcement authorities
- the guilty plea of a former co-owner of a U.S. civilian contracting company to one count of providing false statements to a government agency in connection with Iraq reconstruction government contracts that involved the rental of two villas and purchase of armored vehicles
- the guilty plea of a retired U.S. Army master sergeant to one count of conspiracy to accept illegal gratuities for helping Iraqi contractors gain U.S. government contracts, then purchasing U.S. postal money orders with the illegal proceeds and mailing them back to the United States
- the arrest by SIGIR and Defense Criminal Investigative Service special agents of a former U.S. Army captain following the return of an indictment alleging wire fraud, theft of government property, money laundering, and false statements
- the sentencing of a prime contractor's program manager to 27 months in prison, 3 years of supervised release, and restitution of more than \$1.1 million for conspiring to commit kickbacks, wire fraud, and mail fraud, and for filing false tax returns; and the sentencing of the program's deputy manager to 15 months in prison, 3 years of supervised release, and restitution and forfeiture of more than \$300,000 for the same offenses
- the sentencing of a civilian contractor to time served (9 months), 2 years of supervised release, and fine or forfeiture of more than \$815,000 for receiving hundreds of thousands of dollars in illegal kickbacks from subcontractors in Iraq
- the charging of a U.S. Army captain with conspiracy by taking cash payments and jewelry valued at \$45,000 from two Iraqi contractors in exchange for official acts performed in connection with the contracting process

SIGIR's final reports will be issued in January 2013, including three large-scope audits looking at the Commander's Emergency Response Program, a sector-by-sector analysis of how U.S. rebuilding funds were spent, and a capping DFI report. We also plan to issue *Final Lessons*, a concluding review of what was learned from the Iraq relief and reconstruction program, and a final special report on the many projects implemented in the Rusafa district of Baghdad, where substantial rebuilding monies were expended.

I commend my diligent and effective staff for their continuing commitment to completing our mission.

Respectfully submitted,



Stuart W. Bowen, Jr.

SIGIR SUMMARY OF PERFORMANCE

SIGIR SUMMARY OF PERFORMANCE AS OF OCTOBER 30, 2012

AUDITS	CUMULATIVE	LAST 12 MONTHS
Reports Issued	217	16
Recommendations Issued	487	10
Potential Savings if Agencies Implement SIGIR Recommendations to:		
Put Funds to Better Use (\$ Millions)	\$973.62	\$387.00
Disallow Costs SIGIR Questioned (\$ Millions)	\$640.68	\$4.85

INSPECTIONS, AS OF SEPTEMBER 30, 2012^a

Project Assessments Issued	170	–
Limited On-site Assessments Issued	96	–
Aerial Assessments	923	14

INVESTIGATIONS

Investigations Initiated	616	46
Investigations Closed or Referred	539	71
Open (Active) Investigations	77	77
Arrests	40	5
Indictments	97	27
Convictions	75	17
Monetary Results (\$ Millions)	\$180.1	\$23.8

HOTLINE CONTACTS, AS OF SEPTEMBER 30, 2012

Email	413	6
Fax	18	–
Mail	30	–
Referrals	26	–
SIGIR Website	198	11
Telephone	84	1
Walk-in	112	–
Total Hotline Contacts	881	18

OTHER PRODUCTS

Congressional Testimony	35	3
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^a The Inspections Directorate ceased conducting project assessments on April 30, 2010.



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Appendix A cross-references the pages of this Report with SIGIR's statutory reporting requirements under Section 3001 of P.L. 108-106, as amended.

Appendix B cross-references budget terms associated with the Commander's Emergency Response Program (CERP), Economic Support Fund (ESF), Iraq Relief and Reconstruction Fund (IRRF), Iraq Security Forces Fund (ISFF), International Narcotics Control and Law Enforcement (INCLE) account, and international support for Iraq reconstruction.

Appendix C contains detailed information on the major U.S. reconstruction funds.

Appendix D reports on international contributions to the Iraq reconstruction effort.

Appendix E contains a list of SIGIR's completed inspections of Iraq reconstruction activities.

Appendix F contains a comprehensive list of suspensions and debarments related to Iraq reconstruction contracts or Army support contracts in Iraq and Kuwait.

Appendix G provides summaries of completed and ongoing audits and reviews of Iraq reconstruction programs and activities released by other U.S. government agencies.

Appendix H contains a list of completed audits, reports, and testimonies on Iraq reconstruction activities released by SIGIR and other U.S. government audit agencies.

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SECTION

1

CORRUPTION AND CONTROVERSY

This quarter, a number of Government of Iraq (GOI) officials told SIGIR that corruption was on the rise, diverting significant amounts of Iraq's increasing oil income away from pressing economic and social needs. Moreover, Prime Minister Nuri al-Maliki's opponents remained concerned about the continuing political imbroglio, which has been exacerbated by constitutionally questionable acts. For example, the decision by the Council of Ministers (CoM) to dismiss the Governor of the Central Bank of Iraq (CBI) and appoint a temporary successor created controversy both inside and outside Iraq. Other signs of political strain:

- **An increase in violence.** On September 9, when a Baghdad court sentenced Vice President Tariq al-Hashimi to death, the country suffered its bloodiest day of violence in more than two years.
- **Problems in the GOI's relations with Turkey.** Iraq's relations with its northern neighbor and major trading partner grew worse this quarter because of Turkey's independent dealings with the Kurdistan Regional Government (KRG) and the continued presence in Istanbul of Iraq's estranged Vice President, al-Hashimi.
- **Challenges from Syria.** The civil unrest in Syria caused thousands of Syrians to seek refuge in Iraq and more Iraqi refugees to return home from Syria. Concerns increased that the conflict in Syria would spill over into Iraq.

Notwithstanding these difficulties, Iraq showed tangible signs of progress. Crude oil production and exports both reached levels not seen in more than two decades. Iraq overtook Iran as the second-largest producer of crude oil in the Organization of the Petroleum Exporting Countries, and its projected gross domestic product (GDP) growth rate for 2012 was among the highest of oil-exporting nations in the Middle East and North Africa

region. In the still-struggling electric power sector, production increased by unprecedented amounts. A GOI agreement with the KRG secured the resumption of crude oil exports from the Kurdistan Region, temporarily assuaging the dispute over the control of hydrocarbon resources within the KRG.

U.S. MISSION

Diplomatic Presence

On October 14, Ambassador Robert Stephen Beecroft presented his credentials as the new U.S. Ambassador to Iraq to Foreign Minister Hoshiyar Zebari. A career Foreign Service Officer and deeply experienced Middle East diplomat, Ambassador Beecroft was nominated by President Barack Obama on September 10 and was quickly confirmed by the U.S. Senate. Ambassador Beecroft, who previously served at U.S. missions in Syria and Saudi Arabia and as Ambassador to Jordan from 2008 to 2011, has worked in Iraq since July 2011, first as Deputy Chief of Mission and then, since June 2012, as Chargé d'affaires.¹

In testimony before the Senate Foreign Relations Committee on September 19, 2012, Ambassador Beecroft discussed the current state of the U.S. Mission and developments in the GOI:²

- **On the Embassy size**—"Since the beginning of the year, we have reduced personnel by more than 2,000. We're now somewhere between 13,000 and 14,000 personnel in Iraq, down from over 16,000.... So we are reducing not just the number of personnel, but we're reducing the number of pieces of property that we occupy and we use."
- **On Embassy security**—"We have our own security at the Embassy. We think it is sizable. It is robust—and we're very confident that it's what we need at this time. At the same time, we're fully engaged with Iraqi officials ... to ensure that they give us the cooperation that we feel we need. They have pledged to protect us, and we're

GOI officials told SIGIR that corruption was on the rise, diverting significant amounts of Iraq's increasing oil income away from pressing economic and social needs.

Corruption at the Central Bank of Iraq?

On October 16, 2012, the Council of Ministers dismissed CBI Governor Dr. Sinan al-Shabibi, replacing him, on an interim basis, with the President of the Board of Supreme Audit (BSA), Dr. Abdul Basit Turki al-Sae'ed. The decision to replace Dr. al-Shabibi came amid claims that the CBI's role in supervising the country's banking system was compromised and that corruption was growing to unprecedented levels. Dr. al-Shabibi was said to be under investigation for possible misconduct, and a warrant was issued for his arrest.³

The former CBI Governor is credited by many analysts for maintaining the stability of the Iraqi dinar and for keeping inflation and interest rates low—all viewed as crucially important

prerequisites for the kind of well-managed economic growth Iraq hopes to achieve with its enormous oil wealth.⁴

Political opponents of Prime Minister al-Maliki, along with many banking and financial experts, expressed immediate concern that the dismissal of Dr. al-Shabibi—who is widely viewed as personally honest and professionally effective—was an attempt to bring the CBI and its \$63 billion in reserves under executive branch control. They pointed to the CoM's action as just one of among several steps the Prime Minister has taken to concentrate power within his office. For example, in 2010, al-Maliki won a legal case that effectively shifted control of independent agencies, such as the CBI, from the Council of Representatives (CoR) to the CoM. In an advisory opinion issued in February 2012, the Higher

Judicial Council affirmed the earlier ruling, this time naming the CBI. The ruling drew criticism at the time as a violation of the CBI's independence as guaranteed under the 2005 Iraqi Constitution.⁵

An audit of the CBI and its daily currency auctions completed by the BSA this quarter and personally supervised by Dr. Abdul Basit concluded that, of the \$1 billion transferred out of Iraq each week, at least \$800 million is laundered money—that is, transferred illegally under false pretenses. In a meeting with the Inspector General in mid-September, Dr. Abdul Basit talked about the BSA audit and what he called a triangle of sectarianism, corruption, and violence, in which each element feeds off the others in a dynamic that threatens the well-being of the state.⁶



Iraqi television reports the dismissal of CBI Governor Dr. Sinan al-Shabibi (right) and appointment of Dr. Abdul Basit Turki al-Sae'ed (left) as his acting replacement in an October 16, 2012, newscast.



The Inspector General meets with BSA President Dr. Abdul Basit Turki al-Sae'ed on September 18, 2012.

- doing everything to ensure that they keep to that pledge.”
- **On Iraqi reluctance to control Iranian overflights to Syria**—“They’re taking the manifests at face value. And what we’re urging them to do is either disapprove the flights or, per United Nations resolutions, ask them to land.”

- **On reports of authoritarianism within al-Maliki’s government**—“Iraq is ... a democracy. It does face a lot of issues that are challenging to that democracy. It is fragile in many ways. We are working constantly with all sides ... In short, what we’re doing is pushing them all to engage to pursue their interests in the legislative process,



Ambassador Beecroft is sworn in on October 11, 2012. (DoS photo)

in an independent reform process that they've agreed to.”

- **On the GOP's ability to manage political differences within the political process and what the U.S. government can do to encourage cooperation or consensus**—“Now, it's oftentimes a slow, protracted process. It certainly doesn't move at the pace that we would like to see, or with the efficiency we would like to see. But as I see it, our role is largely to continue to encourage this, to ... be helpful in pointing out ways forward, ways things might be done, the way they might be able to compromise or reach consensus on issues.... But again, I'd like to reiterate, the encouraging thing is that Iraq has not fallen apart. That it has held together.”

U.S. Reconstruction Funding

As of the end of September, \$212.32 billion had been made available for the relief and reconstruction of Iraq through three main sources (see Figure 1.1):

- Iraqi funds overseen by the Coalition Provisional Authority (CPA) and the Iraqi capital budget—\$138.08 billion, including \$31.88 billion made available for capital expenditure in Iraq's 2012 budget⁷
- U.S. appropriations—\$60.48 billion, including \$2.22 billion made available through FY 2012 appropriations⁸

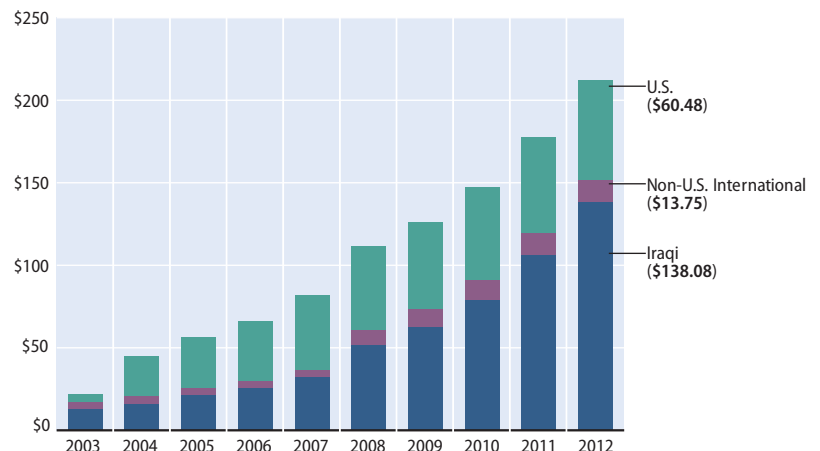
- International commitments of assistance and loans from non-U.S. sources—\$13.75 billion⁹

Of the \$60.48 billion in total U.S. reconstruction appropriations for Iraq, \$55.19 billion had been obligated and \$53.26 billion had been expended as of September 30.¹⁰ More than 85% of the U.S. funding has been provided through five major funds. Of these five, three remain active: the Iraq Security Forces Fund (ISFF), the Economic Support Fund (ESF) and the International Narcotics Control and Law Enforcement (INCLE) account. These three funds collectively have \$1.35 billion in unexpended obligations and \$453 million in appropriations still available for obligation to new activities.¹¹

As of September 30, the Office of Security Cooperation-Iraq (OSC-I) had obligated 99.2% of FY 2011 ISFF funding by the end of the fiscal year¹²—\$425.7 million in this quarter alone.¹³ Plans call for \$850 million in Foreign Military Financing (FMF) to be made available for Iraq in FY 2012 for critical sustainment and equipment support to the Iraqi Security Forces (ISF). However, OSC-I reported

“The encouraging thing is that Iraq has not fallen apart.”

FIGURE 1.1
CUMULATIVE U.S., IRAQI, AND NON-U.S. INTERNATIONAL SUPPORT FOR RECONSTRUCTION, 2003–2012
\$ Billions



Note: Data not audited. Numbers affected by rounding. U.S. contributions are represented by U.S. fiscal year. Iraqi and non-U.S. International contributions are represented by calendar year. Iraqi funding reflects capital budgets for 2003–2005 and 2011–2012, as well as actual capital expenditures for 2006–2010.

Sources: Refer to Section 2 of this Report for individual sources.

that none of these FMF funds had yet been made available for use as of September 30, 2012, which may affect the logistics support for several Iraqi Air Force platforms.¹⁴

U.S. Government and Contractor Personnel

Although Ambassador Beecroft told the Senate Foreign Relations Committee on September 19 that the size of the U.S. Mission in Iraq continued to decline this quarter,¹⁵ reporting to SIGIR on the personnel totals indicated some ambiguity about actual numbers. U.S. Embassy-Baghdad reported that 16,035 persons supported the U.S. Mission in Iraq at the end of the quarter, including 1,075 U.S. government civilian employees and 14,960 contractor personnel. The Embassy said the discrepancy was due to earlier underreporting of certain staff categories. The contractor levels reported from the Synchronized Predeployment and Operational Tracker (SPOT) database appeared to be more consistent with the numbers cited by Ambassador Beecroft.¹⁶

OSC-I reported that it was responsible for approximately 6,200 people, including 240 military personnel, as of September 30, 2012. Before mid-October, however, it revised downward its total personnel count (including contractors) by 1,861.¹⁷

Police Development Program

On October 1, 2012, the Department of State (DoS) Bureau of International Narcotics and Law Enforcement Affairs (INL) launched a descoped Police Development Program, known as PDP 2. INL's original plan envisioned a program with 350 advisors.¹⁸ However, in response to SIGIR audits, the findings of the first six-month program review, and the desires of the MOI, the program wisely was revised and scaled down, saving substantial taxpayer dollars in the process.¹⁹

PDP 2 requires 36 advisors, divided evenly between Baghdad and Erbil.²⁰ Reduced staffing

demands for the program left FY 2012 INCLE funds available for expenditure in FY 2013 and a reduced need for additional funding in FY 2013. INL initially requested \$703.1 million for the PDP in FY 2013 but notified the Congress this quarter that it had reduced its requirements to \$149.6 million, or 21% of the originally planned amount.²¹

As of September 30, INL reported it had 69 PDP staff working with the MOI in Baghdad and Erbil.²² That is a reduction of 31 employees from the end of the previous quarter.²³ This quarter also saw the turnover of the Baghdad Police Academy Annex to the Ministry of Interior (MOI). The annex had been intended to provide the housing and support structures for the originally planned, more expansive PDP.²⁴

USAID

The U.S. Agency for International Development (USAID) concluded the Community Action Program (CAP), its largest and longest-running program in Iraq at the end of this quarter, and launched three new programs. The CAP began in May 2003 and was designed to develop the capacity of local governments to identify and address the needs of their constituents. Nearly \$728 million was expended during the program's three phases.²⁵ USAID's three new programs have a combined total contract value of \$244 million and focus on improving primary school education, revitalizing agricultural production, and strengthening participatory democracy.²⁶

OSC-I and the Future of U.S. Security Cooperation and Assistance in Iraq

OSC-I completed its first year of operation on September 30. The office serves as the hub for managing U.S. security interests in country and provides a wide range of security assistance to Iraq, particularly through the large-scale Foreign Military Sales (FMS) program.

The DoS Police Development Program wisely was revised and scaled down, saving substantial taxpayer dollars.

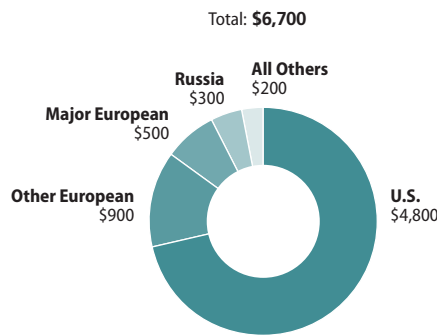
At quarter's end, OSC-I was managing 172 FMS cases funded by the GOI, with 20 additional GOI requests pending implementation. An additional 74 cases await U.S. approval. The value of current and proposed cases now totals about \$19.1 billion.²⁷

The year 2012 has seen regional security deteriorate, primarily driven by the chaos in Syria. Domestic security also has declined amid regular reports of a reviving al-Qaeda in Iraq and two very violent months: July and September. Overall in Iraq, violence this quarter was the worst in two years. These conditions appear to have reinvigorated the GOI's interests in the U.S.-Iraqi security relationship. However, there are several near-term barriers to developing this relationship, including: growing Iraqi concerns about the responsiveness and cost of the FMS program, the uncertain status of OSC-I into 2013, the GOI's continuing close relations with Iran, and Iraqi increases in purchasing from other suppliers such as Russia and the Czech Republic.²⁸ For example, in October 2012, the GOI announced new defense purchase agreements with Russia valued at \$4.2 billion, including the purchase of 30 Mi-28NE attack helicopters and 50 Pansir-S1 short-range air defense systems.²⁹

Iraq's plans for bolstering its security forces position the country as a major new consumer on the world armaments market. Currently, the GOI allocates 3% of its budget for security equipment,³⁰ but growing oil revenues mean that Iraq will have substantial funds with which to continue to expand its armament procurements. During 2008–2011, the total value of Iraq's arms transfer agreements ranked fourth among Middle East and North Africa nations, behind Saudi Arabia, the United Arab Emirates, and Egypt.³¹ Purchase agreements with the United States accounted for 72% of the total (see Figure 1.2),³² assisted by U.S. appropriations for the ISFF, which augmented GOI funding for FMS purchases.³³

While the GOI likely will continue to be a big consumer of U.S. security equipment through the FMS program, the expiration of ISFF obligation authority on September 30, 2012, means that the U.S. total share of arms transfers to Iraq could drop.

FIGURE 1.2
VALUE OF ARMS TRANSFER AGREEMENTS WITH IRAQ, 2008–2011, BY SUPPLIER
\$ Millions



Source: CRS, *Conventional Arms Transfers to Developing Nations, 2004–2011*, 8/24/2012, p. 45.

Over the past 10 years, the U.S. government obligated \$27.19 billion in reconstruction funding for a broad range of troop training, security equipment purchases, and physical infrastructure projects to rebuild Iraq's security capabilities.³⁴ Throughout FY 2012, OSC-I worked with GOI security agencies to target final obligations of the ISFF on the capability gaps left by the withdrawal of U.S. forces.

In the aggravated security environment now facing Iraq, GOI leaders have emphasized that the needs of the ISF extend well beyond the provision of armaments. Chief among them is the need for better intelligence capabilities.³⁵ In this context, the GOI proposed expanding the Strategic Framework Agreement (SFA). However, even without a formal SFA expansion, the two sides have so far worked well together. The engagement of U.S. Special Operations Forces with Iraqi Counterterrorism Forces for counterinsurgency training in Iraq is one example of that.³⁶

GOI leaders have emphasized that the needs of the ISF extend well beyond the provision of armaments.



The Inspector General meets with Prime Minister Nuri al-Maliki in September 2012.

GOVERNANCE

The GOI and KRG reached an agreement this quarter securing the resumption of crude oil exports from the Kurdistan Region.

Prime Minister al-Maliki faced several challenges this quarter. His lobbying of the CoR for legislation that would enable the GOI to back loans for large infrastructure projects failed to sway the debate, and his effort to enlarge the Independent High Electoral Commission from its current 9 members to as many as 15 did not succeed.³⁷

Notwithstanding these challenges, public opinion polls indicate that Iraqis approve of the

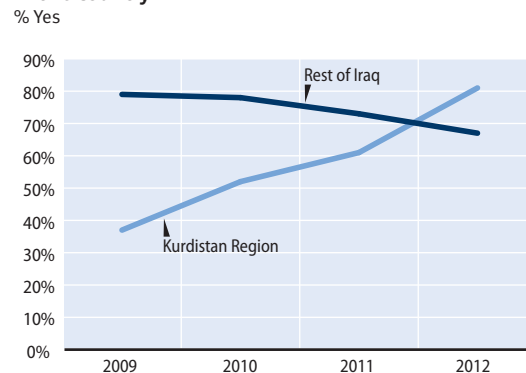
Prime Minister’s performance. A Gallup survey conducted in April gave him the highest approval ratings among all politicians in the country. And this quarter, another Gallup poll, testing public perceptions of corruption, showed that the number of those residing in provinces outside of the Kurdistan Region who considered corruption widespread had dropped over the past three years (see Figure 1.3).

Over the same time period, the percentage of those who felt public services had improved was greater. On the streets of Baghdad this quarter, there were no outward signs that the Prime Minister is attempting to establish a cult of personality. The only notable image of a public figure in Baghdad was the likeness of Iran’s Grand Ayatollah Ali Khamenei appearing on billboards in several of the city’s Shia neighborhoods.³⁸

Baghdad-Erbil Dispute

Nearly six months after the KRG halted crude oil exports to protest a lack of reimbursement for oil-field development costs, the GOI and KRG reached an agreement this quarter securing the resumption of crude oil exports from the Kurdistan Region.

FIGURE 1.3
PERCEPTIONS OF GOVERNMENT CORRUPTION
Is corruption widespread throughout the government in this country?



Source: Gallup, “In Iraqi Kurdistan, Satisfaction with Infrastructure Crumbles,” 9/7/2012, www.gallup.com/poll/157298/iraqi-kurdistan-satisfaction-infrastructure-crumbs.aspx, accessed 10/4/2012.



Billboard in a Baghdad Shia neighborhood shows Iranian leader, the Grand Ayatollah Ali Khamenei (right), next to the revered Iraqi Shia religious figure, Mohamad Mohamad Sadiq al-Sadr, who was assassinated in 1999 for his defiance of Saddam Hussein. Their message advertises an annual event in support of the Palestinian cause. (AP photo)

For a timeline of important events in the dispute, see Figure 1.4. Talks also resumed in the CoR regarding the Hydrocarbon Laws, which are key to the growth of Iraq’s oil and gas industry. Notwithstanding this progress, relations between the KRG and Baghdad remain tense. In July, Kurdish *Pesh-merga* troops and Iraqi Army forces briefly engaged in a tense standoff near the Syrian border as they responded to potential spillover from the Syrian conflict. Another such confrontation occurred in Kirkuk this quarter in a dispute over the transfer of former U.S. military facilities in the city, following the OSC-I’s departure.³⁹

Regional Issues

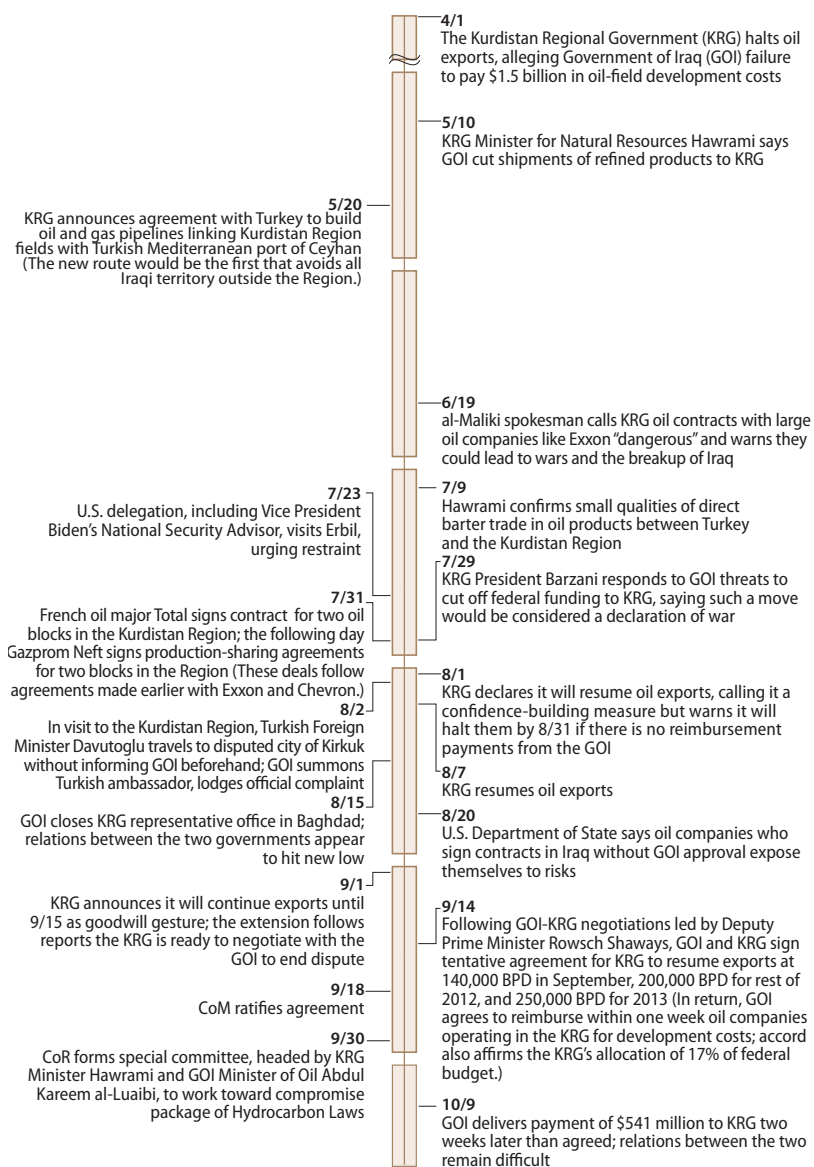
The regional environment became more difficult for Iraq this quarter as rising tensions in many parts of the Middle East brought added challenges to Iraq’s borders.⁴⁰

Turkey’s diplomatic approach to Iraq’s Kurdistan Region—highlighted by Turkish Foreign Minister Ahmet Davutoglu’s visit to the Kurdistan Region in early August that included a side trip to Kirkuk on August 2—complicated GOI relations with one of its largest trading partners and added a new dimension to an already prickly internal dispute with the KRG over control of northern crude oil. The Turkish government’s overtures to Erbil led the GOI to summon Turkey’s ambassador in Baghdad and deliver an official complaint.

Refugees

From March to mid-October 2012, at least 82,000 people streamed across the border into Iraq from Syria because of the civil conflict in that country. These included almost 43,000 Iraqis who had previously sought refuge in Syria, but were now returning to communities throughout Iraq, mostly in Baghdad. An additional 39,000 were Syrians fleeing their home country, 80% of whom were Kurds who took advantage of the Kurdistan Region’s open-door policy toward them.⁴¹

FIGURE 1.4
KEY EVENTS IN THE KRG-GOI DISPUTE, 4/1/2012–10/9/2012



Sources: *Iraq Oil Report*, “Kurds Restart Exports, Extending Olive Branch,” 8/2/2012, “Baghdad Advances Threat to Kurdistan Budget,” 9/5/2012, and “Iraqi Cabinet Approves Kurdish Export Agreement,” 9/19/2012; Dunia Frontier Consultants, *Iraq Market Tracker*, “KRG-GOI Deal Surfaces,” 9/17/2012, and “Gazprom, Total Follow Chevron and Exxon into Kurdistan,” 8/6/2012; *Platts Commodity News*, “Iraq Cabinet Ratifies Deal with KRG, Paves Way for Oil, Gas Law,” 9/18/2012; Joost R. Hiltermann, “Baghdad and Erbil Battle for Iraq,” *The National Interest*, 8/17/2012; KRG, press release, “President Barzani Receives U.S. Delegation,” www.krg.org/articles/detail.asp?lngnr=12&smap=02010100&rnr=223&nr=44782, accessed 10/21/2012; MEEs, *Weekly Report*, Vol. 55 No. 39, 9/21/2012, p.15; SIGIR analysis of open-source information in English and Arabic, 4/2012–10/2012.



Iraqi Security Forces on the Ninewa border with Syria. (Shafaq News photo)

By mid-October, about 13,000 Syrian refugees resided at the Domiz camp in Dahuk, and 19,000 were living in local communities elsewhere in the Kurdistan Region. The other 7,000 Syrian refugees in Iraq—mostly women, children, and the elderly—resided at the refugee camps at al-Qaim in Anbar province. With support from the U.S. government and others, United Nations agencies were working with the GOI and KRG to meet the Syrian refugees' needs for shelter, food, water, medical attention, and other services. Humanitarian agencies expected the population of Syrian refugees in Iraq to grow from 39,000 to 60,000 by the end of 2012.⁴²

Violence spiked this quarter, hitting its highest level in two years.

Relocation of Iranian Dissident Group

Relocating the Iranian Mujaheddin-e Khalq (MEK) was completed this quarter, with remaining members moved to Camp Hurriya near Baghdad. The MEK's "cooperation in the peaceful closure of Camp Ashraf" was a factor in the Secretary of State's decision, announced on September 28, to revoke the MEK's designation as a Foreign Terrorist Organization under the Immigration and Nationality Act and to delist the MEK as a Specially Designated Global Terrorist under Executive Order 13224.⁴³

Public Services

The total supply of electricity on the national grid surged to a record high this quarter, averaging about 7,300 megawatts (MW). But it was still only

enough to provide the average Iraqi consumer with 10–12 hours of power each day because demand vastly outpaces supply.⁴⁴ The Ministry of Electricity (MOE) currently has 41 power plants under construction, and it expects the available production capacity on the grid to reach 22,000 MW by the end of 2015.⁴⁵ The MOE also publicly pointed to the Ministry of Oil this quarter as contributing to the current shortfall in electricity supply, saying that low output at some power plants was caused by a scarcity of oil and low pressure in natural gas pipelines.⁴⁶

SECURITY AND THE RULE OF LAW

Security

Violence spiked this quarter, hitting its highest level in two years. According to the MOI, 854 civilians died and another 1,640 were wounded in violent attacks this quarter. The quarter included both the holy month of Ramadan and the trial of Iraq's Sunni Vice President al-Hashimi, whose death sentence after being found guilty of operating death squads triggered a wave of violence on September 9 that claimed more than 100 lives—the bloodiest day in more than two years.⁴⁷ Figure 1.5 shows details of selected major attacks this quarter.

More than 100 senior government officials were targeted for assassination this quarter, with 58 of them killed. Another 120 bystanders—including family members, bodyguards, and other citizens—perished in the attacks. Targets included judges, members of the CoR, and senior members of the ISF.⁴⁸

In a meeting with SIGIR this quarter, Principal Deputy Minister of Interior Adnan al-Asadi suggested that previously weakened Sunni militant groups, including al-Qaeda in Iraq, had regained strength. He added that the government—because

of weak intelligence capabilities—was unable to detect and thus prevent attacks by these organized groups.⁴⁹

Corruption

Prime Minister al-Maliki and Iraq’s Chief Justice conceded in meetings with SIGIR that corruption remained a serious problem, but contended that the degree to which it affected government business has been exaggerated. Those actively fighting the problem see it differently. Dr. Abdul Basit, who was just named to take over the CBI amid reports

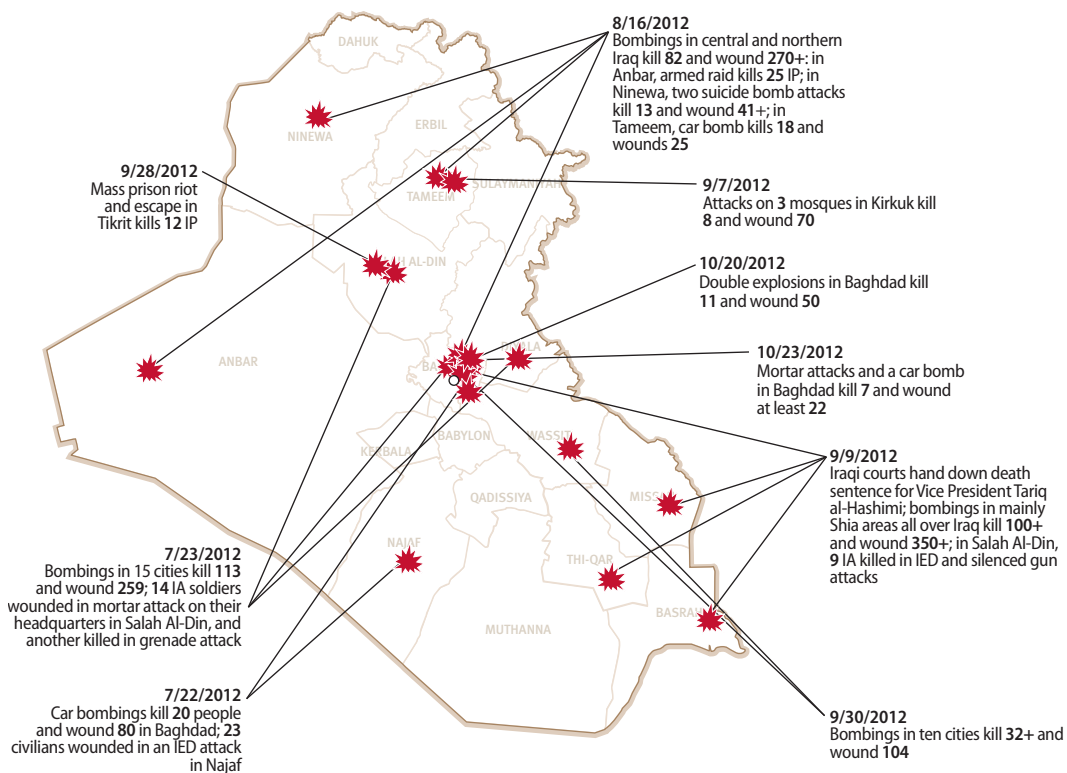
of improprieties there, said that corruption had become “an institution” in Iraq.⁵⁰

Money Laundering

Money laundering plays an important role in corruption. The recent BSA audit alleges that the principal mechanism for money laundering in Iraq is the daily currency auction operated by the CBI through which it sells U.S. dollars to commercial banks, which, in turn, provide those dollars to customers for a fee. The customer, who provides a large amount of Iraqi dinars—possibly obtained by taking a bribe or via fraudulent withdrawal of money from ministry accounts—“launders” the

Dr. Abdul Basit said that corruption had become “an institution” in Iraq.

FIGURE 1.5
SELECTED MAJOR SECURITY INCIDENTS, 7/22/2012–10/23/2012



Note: All casualty figures are based on best-available information.

Source: SIGIR analysis of GOI and U.S. government documents and open-source information in Arabic and English, 7/22/2012–10/23/2012.

illegal funds, requesting the commercial bank to transfer the dinar-purchased dollars to a bank outside Iraq.⁵¹

Before the transaction can occur, the commercial bank is obligated to determine that the customer has a legitimate reason to transfer the money by demanding documentation, such as a contract to buy goods from a foreign company. Recent BSA reviews of the documentation offered for such purchases have shown that a large portion of the transactions have been based on fraudulent representations.⁵² Improperly documented capital flight over the past year is draining Iraq of its capital, possibly reaching 80% of the estimated \$1 billion in U.S. currency that is transferred out of the country each week, according to recent BSA findings.⁵³

Anticorruption Institutions

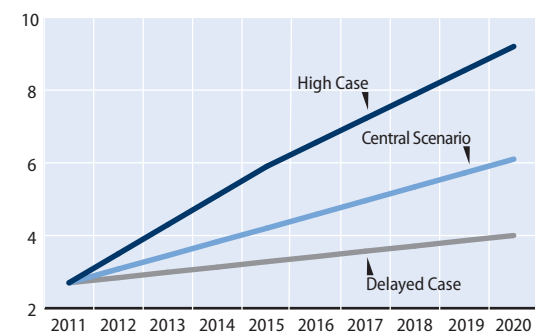
SIGIR received evidence this quarter that institutions within the GOI established to fight corruption have been weakened. Inspectors general have been eliminated in some smaller ministries, while those remaining face an evaluation board that includes representatives from the Office of the Prime Minister and the CoM. The Commission of Integrity (COI) is now headed by its third interim commissioner since 2007. The last confirmed permanent commissioner, Judge Radhi Hamza al-Radhi, resigned and fled to the United States five years ago. Another former COI Commissioner, Raheem al-Ugaili, told SIGIR he faced accusations of “administrative corruption” for such actions as providing U.S. officials with statistics on COI performance, a requirement for receiving U.S. grant assistance.⁵⁴

rose to post-1990 record levels.⁵⁵ The GOI earned \$20.73 billion in receipts from the sale of crude oil during the quarter. But the total receipts were 9% less than the previous quarter, mainly because of lower crude oil prices.⁵⁶

The International Monetary Fund’s 2012 *World Economic Outlook* published this quarter revised Iraq’s GDP growth forecast upward to a robust 14.7% for 2013—exactly three times that of the next strongest economy in the Middle East and North Africa region, Qatar. Iran’s economy, laboring under the impact of international sanctions, was projected to grow at less than 1% in 2013.⁵⁷ The forecast reflects the view that Iraq’s long-anticipated infrastructure-spending program is beginning to take hold and oil production and exports will grow briskly in the coming years.

On October 9, the Paris-based International Energy Agency (IEA) published its *Iraq Energy Outlook*, which examines the potential for increased energy production in Iraq, the way in which energy can contribute to the country’s social and economic development, and the way in which Iraq’s energy can affect global energy markets. Under the study’s central scenario for growth in the country’s oil and natural gas industries, the IEA projects that Iraq’s oil production will increase to 6.1 MBPD by 2020. Such a level would bring an average of \$200 billion

FIGURE 1.6
IEA PROJECTIONS FOR IRAQI OIL PRODUCTION,
2011–2020
MBPD



Source: IEA, *Iraq Energy Outlook*, 10/9/2012, pp. 59, 78.

Iraq’s average crude oil output this quarter topped 3.0 million barrels per day over a two-month-long period for the first time in more than two decades.

ECONOMY

Iraq’s average crude oil output this quarter topped 3.0 million barrels per day (MBPD) over a two-month-long period for the first time in more than two decades. Crude oil export volume also

per year to the country.⁵⁸ For a look at all three IEA production scenarios, see Figure 1.6.

Despite the bright picture painted by these new reports, there are issues that could limit the country's economic growth. Iraq's antiquated banking industry has been unable to finance the kind of massive development spending required for Iraq to reach its goals. Further, international bankers voiced concern that the dismissal of CBI Governor al-Shabibi could weaken Iraq's financial services industry.⁵⁹

The GOI has been unable to broaden Iraq's economic base beyond oil and gas. Income from crude oil continues to account for about 95% of Iraq's foreign exchange earnings. Meanwhile, the CoR failed to move forward with draft legislation that would establish a legal framework for the private equity investments needed to revive state-owned enterprises that exist in other sectors. Broadening the economy beyond oil and gas is crucial to job creation in a country where unemployment is stuck in the double digits. Although oil accounts for 60% of Iraq's GDP, it provides just 1% of the jobs.⁶⁰

SIGIR OVERSIGHT

Lessons Learned

This month, SIGIR published *Iraq Reconstruction: Lessons from Auditing U.S.-funded Stabilization and Reconstruction Activities*. A key aspect of SIGIR's 217 audits has been to capture lessons learned from the Iraq experience that could be applied to other contingencies, including Afghanistan, and those that may arise in the future.

This new report builds on an initial 2008 audit capping report that identified key recurring systemic management issues, and details a number of critical deficiencies in planning, oversight, management, accountability, and relationships with the host government. The report concludes that, if the causes and effects of these problems are not fully understood—and if actions are not taken

to forestall their recurrence—then similar negative outcomes could resurface in future stability and reconstruction operations.

SIGIR Audits

Since 2004, SIGIR has issued 217 audit reports, 3 of which were issued this quarter. They reviewed:

- **U.S. management of efforts to improve the rule of law in Iraq.** This audit examined INL, Department of Justice, and USAID management of two programs: a \$209 million program to develop and establish an effective corrections system, reform pretrial detention programs, and modernize the prisons; and a \$198 million program to develop the Iraqi judiciary system, establish security for the judicial sector, and reform court administration. SIGIR found empirical evidence of improvements in the corrections systems but no written analyses of the outcomes of programs to reform the judiciary. As a result, SIGIR was unable to conduct any meaningful analysis to determine the effectiveness of those programs, although SIGIR did find some evidence that INL's programs contributed to a reasonably well-functioning judicial system in Iraq. Overall, SIGIR concluded that lasting institutional reform of the judicial system—and the entire rule-of-law system—is a generational undertaking, requiring a sustained commitment by the GOI to ensure effective progress.
- **Final review of State Department's management of Quick Response Funds in 2007 and 2008.** This is the third report on DoS management of the \$258 million program DoS initiated to provide Provincial Reconstruction Teams in Iraq with a flexible means to pay for local projects that supported community-based leaders and local Iraqi organizations and institutions to improve access to public services, employment, and education. SIGIR's previous reports had found inadequate recordkeeping for 2007–2008 micropurchases and indications of possible fraud. For this audit, SIGIR examined

If the causes and effects of these problems are not fully understood—and if actions are not taken to forestall their recurrence—then similar negative outcomes could resurface in future stability and reconstruction operations.

documentation on 185 judgmentally selected 2007–2008 micropurchases valued at about \$3.5 million. From the available records, SIGIR could generally determine how funds were intended to be used but could not assess whether all of the goods and services were actually purchased, received, or transferred to beneficiaries. This report demonstrated that requisite internal controls must be included in the design of any cash-transaction assistance program. Attempts to institute them after activities have begun may be too late to ensure that the transactions are not vulnerable to fraud, waste, and abuse.

- **U.S. Army Corps of Engineers (USACE) management of Development Fund for Iraq (DFI) monies.** In this report, SIGIR discusses USACE management of the \$2.5 billion in DFI it received. SIGIR found that USACE did not establish effective internal controls to document that goods and services paid for using DFI funds were received. Receiving reports, which document the government’s inspection and acceptance of products delivered or services performed, were missing from more than 95% of the files, involving commodities vulnerable to fraud and theft, such as fuel, televisions, and vehicles. In addition, USACE had no evidence that showed whether the fuel for which it paid \$1.3 billion was received. USACE has not been able to determine the status of the DFI because key financial audits of contractors have not been completed. Without these audits, USACE cannot close out these contracts and task orders and assess whether the contractor owes the United States money, whether the United States owes the contractor money, and ultimately, whether the U.S. government needs to return unused DFI funds to the GOI.

USACE had no evidence that showed whether the fuel for which it paid \$1.3 billion was received.

SIGIR Investigations

Since 2004, the work of SIGIR’s Investigations Directorate has resulted in 97 indictments, 75 convictions, and more than \$180 million in court-ordered

finances, forfeitures, and other monetary penalties. This quarter, significant investigative accomplishments included:

- On October 7, 2011, Robert N. Boorda, the former chief of party in Baghdad for the United States Institute of Peace, pled guilty to a criminal information unsealed this quarter charging him with one count of conspiring to commit wire fraud. An arrest warrant was issued for Boorda’s co-conspirator, the owner of the security-services firm, on charges that include wire fraud and gratuities conspiracy, wire-fraud scheme, agreement to pay a gratuity to a public official, and payment of a gratuity to a public official. The contractor was arrested on July 6, 2012, by British law-enforcement authorities and is currently awaiting extradition to the United States to face charges.
- On August 9, 2012, Jill Charpia, former co-owner of a U.S. civilian contracting company, pled guilty to a criminal information charging her with one count of providing false statements to a government agency in connection with Iraq reconstruction government contracts that involved the purchase of two villas and armored vehicles. In October 2008, as a result of her false and fraudulent statements, the Department of Defense (DoD) caused \$1,270,075.50 to be wired to Charpia’s bank account. Charpia admitted that she fabricated invoices and forged the signatures on the documents. She also admitted that she did not purchase any armored vehicles and paid only half the submitted cost for the villas.
- On August 29, 2012, retired U.S. Army Master Sergeant Julio Soto, Jr., pled guilty to a criminal information charging him with one count of conspiracy to accept illegal gratuities. Soto, along with an alleged U.S. Army co-conspirator, was involved with the construction of a government building at Forward Operating Base Hammer by local Iraqi contractors. Soto and his alleged co-conspirator unlawfully sought, received, and accepted illegal gratuities for helping Iraqi contractors gain U.S. government contracts, and

then purchased U.S. postal money orders with the illegal proceeds and mailed them back to the United States.

- On August 15, 2012, a former U.S. Army captain was arrested in Los Angeles by SIGIR and Defense Criminal Investigative Service special agents following the return of an indictment alleging wire fraud, theft of government property, money laundering, and false statements in connection with his military service in Iraq. The former captain allegedly changed or caused to be changed certain invoices by increasing the total amount due for the invoice. The indictment alleges he then paid the contractor the original invoice amount and kept the difference in cash. As a result of the scheme he created, the indictment alleges he stole approximately \$110,000.
- On October 9, 2012, Gaines Newell, Jr., was sentenced to 27 months in prison, 3 years supervised release, and restitution of nearly \$1.1 million. In addition, the judge issued a forfeiture notice against Newell in the amount of \$861,027 to be applied against his restitution. On October 10, 2012, Billy Joe Hunt was sentenced to 15 months in prison, 3 years supervised release, and restitution and forfeiture of more than \$300,000. The sentencing is the result of guilty pleas by Newell and Hunt to conspiring to commit the federal offenses of kickbacks, wire fraud, and mail fraud, and to filing false tax returns. Ahmed Kazzaz, a British citizen, paid more than \$947,500 in unlawful kickbacks to Newell (a prime contractor's program manager) and Hunt (the deputy program manager) to obtain lucrative

subcontracts for himself and his company, Leadstay. Kazzaz pled guilty on May 21, 2012, to the federal offenses of conspiracy, kickbacks, wire fraud, and mail fraud, and he was scheduled to be sentenced on October 29, 2012.

- On September 12, 2012, Ismael Salinas was sentenced to time served (9 months), 2 years of supervised release, a fine of \$7,500, and forfeiture of \$807,904 for receiving hundreds of thousands of dollars in illegal kickbacks from subcontractors in Iraq. Salinas overbilled DoD by \$847,904, taking at least \$424,000 in kickbacks from six companies. Salinas said that he would also have the subcontractors submit inflated invoices, but accept less money so he could take some of the difference—much of which he smuggled back into the United States.
- On October 4, 2012, a U.S. Army captain was charged with conspiracy in a two-count criminal information alleging that the captain accepted gratuities. One contractor offered gratuities and favors, including approximately \$25,000 in cash payments, in exchange for the captain assisting on an Iraqi construction contract. The captain was also offered jewelry, a vacation on a private island, and approximately \$10,000 in cash payments in exchange for steering generator contracts to another contractor. The direct cash payments and the value of the jewelry received by the captain from the two contractors totaled approximately \$45,000.

As of late October, SIGIR had 77 open investigations, most of which were being conducted in close cooperation with other federal law-enforcement agencies. ♦

The sentencing is the result of guilty pleas to conspiring to commit the federal offenses of kickbacks, wire fraud, and mail fraud, and to filing false tax returns.

FUNDING FOR IRAQ RECONSTRUCTION

U.S. FUNDING	16
IRAQI FUNDING	24
INTERNATIONAL SUPPORT	25

SECTION

2

U.S. FUNDING

From fiscal year (FY) 2003 through FY 2012, the United States appropriated or otherwise made available \$60.48 billion for relief and reconstruction efforts in Iraq. Of this total, \$55.19 billion was obligated and \$53.26 billion was expended, as of September 30, 2012.⁶¹

FY 2013 Funding

Total FY 2013 funding for Iraq relief and reconstruction has yet to be determined. In its budget request for FY 2013, the Administration requested \$2.69 billion, which was \$0.47 billion more than was appropriated for FY 2012.⁶² As of October 30, 2012, the FY 2013 budget request was still being considered by the Congress.

This quarter, the Congress passed—and on September 28, the President signed into law—House Joint Resolution 117, the “Continuing Appropriations Resolution, 2013” (Public Law 112-175). The law provided interim FY 2013 appropriations for most programs of the federal government, including programs to reconstruct Iraq, at the levels provided in FY 2012, with a slight increase of 0.612%. This funding is available through March 27, 2013.⁶³

For many international programs, the Congress appropriates funding on a worldwide basis, allowing U.S. agencies to determine how that funding should be allocated. For example, for FY 2012, P.L. 112-74 appropriated \$5.76 billion for Economic Support Fund (ESF) programs worldwide; of this amount, the Department of State (DoS) allocated \$299 million for Iraq. While the continuing resolution provides a slight increase for ESF programs worldwide, DoS is responsible for determining the specific funding amount for Iraq programs.⁶⁴

In the case of programs designated to support the Global War on Terror/Overseas Contingency Operations funded by the FY 2012 Department

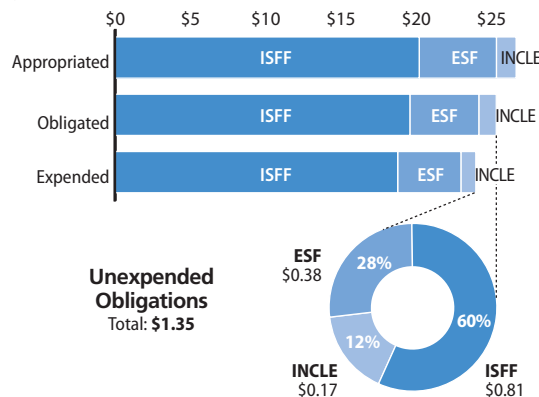
of Defense Appropriations Act or Military Construction Appropriations Act, funding was provided at the level in the President’s FY 2013 budget request.⁶⁵

Major Funds

More than \$51.46 billion, or more than 85% of the funding that has been made available for relief and reconstruction in Iraq, was provided through five major funds. Two of those funds—the Iraq Relief and Reconstruction Fund (IRRF) and the Commander’s Emergency Response Program (CERP)—are inactive: that is, all of the funds appropriated to them have expired. Thus, they are no longer available to support new activities. The other three funds are the Iraq Security Forces Fund (ISFF), the

\$55.19 billion was obligated and \$53.26 billion was expended, as of September 30, 2012.

FIGURE 2.1
STATUS OF ACTIVE MAJOR U.S. FUNDS,
AS OF 9/30/2012
\$ Billions



Note: Data not audited. Numbers affected by rounding.

Sources: P.L. 108-7; P.L. 108-11; P.L. 108-106; P.L. 108-287; P.L. 109-13; P.L. 109-102; P.L. 109-148; P.L. 109-34; P.L. 109-289; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 111-118; P.L. 111-212; P.L. 112-10; P.L. 112-74; NEA-I, responses to SIGIR data calls, 9/28/2011, 9/25/2012, 10/1/2012, and 10/2/2012; USACE, response to SIGIR data call, 10/1/2012; U.S. Embassy-Baghdad, responses to SIGIR data calls, 10/5/2011, 1/4/2012, 4/3/2012, 7/3/2012, and 10/1/2012; OUSD(C), response to SIGIR data call, 10/2/2012; INL, response to SIGIR data call, 10/16/2012.

TABLE 2.1
OBLIGATIONS AND EXPENDITURES FROM ACTIVE MAJOR FUNDS, AS OF 9/30/2012
 \$ Millions

FUND	PROGRAM	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
ISFF	MOD Sustainment	2,893.7	2,620.1	321.0	212.0
	MOD Training	722.8	698.3	32.3	35.1
	MOI Sustainment	662.9	622.7	29.8	29.8
	MOD Equipment	5,326.8	5,227.2	29.2	32.2
	MOI Equipment	2,026.4	1,945.3	12.9	51.8
	Other	7,936.2	7,648.2	0.5	0.1
	Subtotal		19,568.9	18,761.9	425.7
ESF	<i>Ajyal</i> Primary Education Strengthening Project	19.0		19.0	
	Harmonized Support for Agriculture Development (HSAD) Project	10.0		10.0	
	PRT/PRDC Projects	618.4	590.7	5.0	5.0
	Democracy and Civil Society	265.5	243.1	1.8	5.5
	Community Action Program	450.4	447.7		18.7
	<i>Tijara</i> Provincial Economic Growth	172.5	144.2		15.7
	<i>Tarabot</i> Administrative Reform	82.3	29.5		9.4
	Governance Strengthening Program	57.2	10.4		7.9
	<i>Inma</i> Agribusiness Development	179.8	161.6		5.5
	Other	2,723.3	2,572.2	-3.1	18.9
Subtotal		4,578.3	4,199.3	32.7	86.5
INCLE	Police Advisors	710.2	620.6	102.7	61.9
	Corrections	13.2	10.9	-0.5	7.8
	Justice Programs	9.5	4.7	-0.2	2.6
	Counternarcotics	3.5	0.2	2.5	
	Other	419.1	352.3	1.0	0.9
Subtotal		1,155.4	988.8	105.5	73.2
Total		25,302.6	23,950.0	564.0	520.7

Note: Data not audited. Numbers affected by rounding.

Sources: NEA-I, responses to SIGIR data calls, 9/28/2011, 3/27/2012, 6/28/2012, 6/29/2012, 7/2/2012, 9/25/2012, 10/1/2012, and 10/2/2012; USACE, responses to SIGIR data calls, 4/3/2012, 7/5/2012, and 10/1/2012; U.S. Embassy-Baghdad, responses to SIGIR data calls, 10/5/2011, 1/4/2012, 4/3/2012, 7/3/2012, and 10/1/2012; USAID, response to SIGIR data call, 4/2/2012; INL, responses to SIGIR data calls, 7/10/2012 and 10/16/2012; OUSD(C), responses to SIGIR data calls, 7/11/2012 and 10/2/2012.

U.S. agencies obligated \$564 million and expended \$521 million from them this quarter.

International Narcotics Control and Law Enforcement (INCLE) account, and the ESF. These three remain active and, as shown in Table 2.1, U.S. agencies obligated \$564 million and expended \$521 million from them this quarter.⁶⁶ The ESF and INCLE have \$453 million in unexpended appropriations that

are available for obligation to new activities, but no ISFF funds are available for new obligations.⁶⁷

For the status of the three active funds, see Figure 2.1. For additional details on all five major funds, see Appendix C.

Iraq Security Forces Fund

Since 2005, the Congress appropriated \$20.19 billion to the ISFF to support Department of Defense (DoD) efforts to develop Iraq's military and police institutions.⁶⁸ As of the end of this quarter, \$19.57 billion of these appropriations had been obligated and \$18.76 billion had been expended. All of the \$625 million in unobligated ISFF has expired. In addition, \$807 million of obligated ISFF funds have yet to be expended.⁶⁹

The ISFF was the most active fund this quarter. It accounted for 75% of new obligations from the three major funds and 69% of expenditures. Nearly all of the final ISFF appropriation was obligated during the quarter. Only 1% (\$9 million) of the \$1.16 billion appropriation was left unobligated, and that amount has expired. Of the \$426 million obligated from the ISFF this quarter, three-fourths (\$321 million) was obligated to the Ministry of Defense (MOD) for sustainment.⁷⁰

TABLE 2.2

ISFF: STATUS OF FUNDS, BY MINISTRY AND SUB-ACTIVITY GROUP, AS OF 9/30/2012

\$ Millions

MINISTRY	SUB-ACTIVITY GROUP	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Defense	Equipment	5,326.8	5,227.2	29.2	32.2
	Infrastructure	3,074.7	2,971.9		
	Sustainment	2,893.7	2,620.1	321.0	212.0
	Training	722.8	698.3	32.3	35.1
	Subtotal	12,018.0	11,517.5	382.5	279.3
Interior	Training	2,656.0	2,591.6		
	Equipment	2,026.4	1,945.3	12.9	51.8
	Infrastructure	1,346.9	1,259.9		
	Sustainment	662.9	622.7	29.8	29.8
	Subtotal	6,692.3	6,419.5	42.7	81.6
Varies	Related Activities	858.6	824.8	0.5	
Total		19,568.9	18,761.9	425.7	360.9

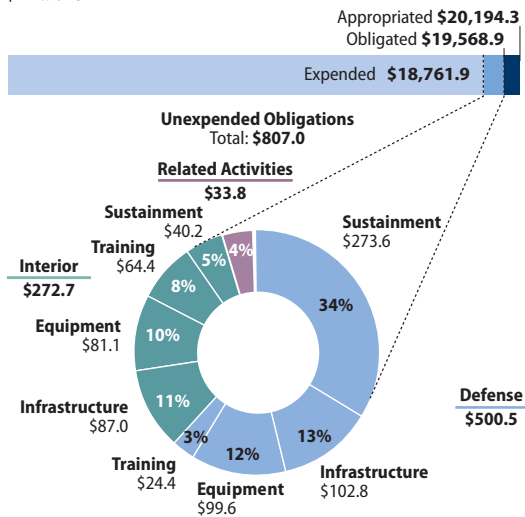
Note: Data not audited. Numbers affected by rounding.

Sources: OUSD(C), responses to SIGIR data calls, 7/11/2012 and 10/2/2012.

FIGURE 2.2

ISFF: STATUS OF FUNDS, AS OF 9/30/2012

\$ Millions



Note: Data not audited. Numbers affected by rounding.

Sources: P.L. 109-13; P.L. 109-102; P.L. 109-234; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-212; P.L. 112-10; OUSD(C), response to SIGIR data call, 10/2/2012.

For the status of the ISFF, including a breakdown of unexpended obligations, see Figure 2.2. For the status and quarterly change of ISFF obligations and expenditures, by ministry and sub-activity group, see Table 2.2.

The ISFF accounted for 75% of new obligations from the three major funds and 69% of expenditures.

Economic Support Fund

Since 2003, the Congress appropriated more than \$5.13 billion to the ESF to support DoS and U.S. Agency for International Development (USAID) programs in Iraq to improve infrastructure and community security, promote democracy and civil society, and support capacity building and economic development.⁷¹ As of the end of this quarter, \$4.58 billion of these total appropriations had been obligated, and \$4.20 billion had been expended. Of the \$556 million in unobligated ESF funds, \$260 million had expired, leaving \$296 million available for obligation to new projects. In addition, \$379 million of obligated ESF funds had not been expended.⁷²

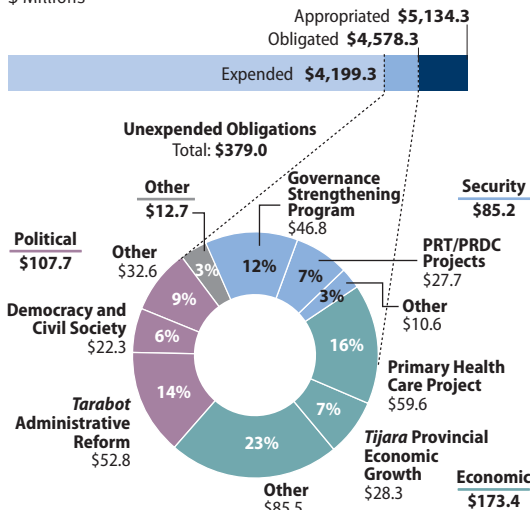
TABLE 2.3
ESF: STATUS OF FUNDS, BY TRACK AND PROGRAM, AS OF 9/30/2012
 \$ Millions

TRACK	PROGRAM	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Security	Community Stabilization	619.0	615.1		
	PRT/PRDC Projects	618.4	590.7	5.0	5.0
	Community Action	450.4	447.7		18.7
	Local Governance	434.6	433.9	-3.0	
	PRT Quick Response Fund	286.5	283.2	0.2	0.2
	Infrastructure Security Protection	193.6	193.6	-0.1	
	Governance Strengthening	57.2	10.4		7.9
	Subtotal	2,659.7	2,574.4	2.1	31.7
Political	Tatweer National Capacity Development	309.4	308.6		
	Democracy and Civil Society	265.5	243.1	1.8	5.5
	Iraqi Refugees	95.0	95.0		
	Economic Governance II, Policy and Regulatory Reforms	83.9	83.9		
	Tarabot Administrative Reform	82.3	29.5		9.4
	Ministerial Capacity Development	44.8	39.9		3.3
	Elections Support	40.4	21.7		1.9
	Regime Crimes Liaison Office	33.0	28.5		0.2
	Monitoring and Evaluation	13.7	10.0		0.7
	Program Design & Learning	0.1			
Subtotal	968.0	860.3	1.8	21.0	
Economic	O&M Sustainment	276.1	274.9		0.1
	Inma Agribusiness Development	179.8	161.6		5.5
	Tijara Provincial Economic Growth	172.5	144.2		15.7
	Primary Health Care	72.9	13.3		4.4
	Targeted Development	60.4	51.9		0.2
	Financial Sector Development	51.2	24.1		4.9
	Plant-Level Capacity Development & Technical Training	50.4	50.4		0.1
	Izdihar Private Sector Development	32.8	32.2		
	Education, Health and Social Services	3.7	2.8		1.2
	Ajyal Primary Education Strengthening	19.0		19.0	
	Harmonized Support for Agriculture Development (HSAD)	10.0		10.0	
	Subtotal	928.8	755.4	29.0	32.1
	Personnel Support	21.3	8.7		1.3
Ambassador's Fund	0.5	0.4	-0.2	0.4	
Total	4,578.3	4,199.3	32.7	86.5	

Note: Data not audited. Numbers affected by rounding.

Sources: NEA-I, responses to SIGIR data calls, 9/28/2011, 3/27/2012, 6/28/2012, 6/29/2012, 7/2/2012, 9/25/2012, 10/1/2012, and 10/2/2012; USACE, responses to SIGIR data calls, 4/3/2012, 7/5/2012, and 10/1/2012; U.S. Embassy-Baghdad, responses to SIGIR data calls, 10/5/2011, 1/4/2012, 4/3/2012, 7/3/2012, and 10/1/2012; USAID, response to SIGIR data call, 4/2/2012.

FIGURE 2.3
ESF: STATUS OF FUNDS, AS OF 9/30/2012
\$ Millions



Note: Data not audited. Numbers affected by rounding.

Sources: P.L. 109-102; P.L. 109-234; P.L. 110-28; P.L. 110-92; P.L. 110-137; P.L. 110-149; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 112-10; P.L. 112-74; NEA-I, responses to SIGIR data calls, 9/28/2011, 9/25/2012, 10/1/2012, and 10/2/2012; USACE, response to SIGIR data call, 10/1/2012; U.S. Embassy-Baghdad, responses to SIGIR data calls, 10/5/2011, 1/4/2012, 4/3/2012, 7/3/2012, and 10/1/2012.

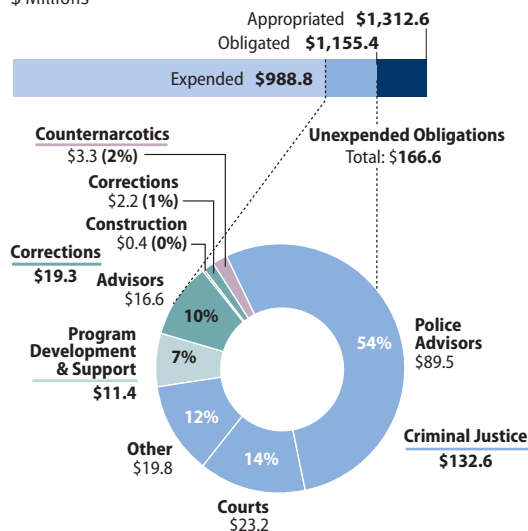
New obligations from the ESF this quarter totaled \$33 million, and expenditures totaled \$87 million. Two new USAID projects—the *Ajyal* Primary Education Strengthening Project (\$19 million) and the Harmonized Support for Agriculture Development (HSAD) Project (\$10 million)—accounted for 88% of new ESF obligations. The Community Action Program (\$19 million) and *Tijara* Provincial Economic Growth program (\$16 million) led the way with the most ESF expenditures during the quarter.⁷³

For the status and quarterly change of the ESF, by track and program, see Table 2.3. For the status of the ESF, including a breakdown of unexpended obligations, see Figure 2.3.

International Narcotics Control and Law Enforcement

Since 2006, the Congress has appropriated \$1.31 billion to the INCLE for use in Iraq by DoS to support rule-of-law activities.⁷⁴ As of the end of this

FIGURE 2.4
INCLE: STATUS OF FUNDS, AS OF 9/30/2012
\$ Millions



Note: Data not audited. Numbers affected by rounding.

Sources: P.L. 109-234; P.L. 110-5; P.L. 110-28; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 111-212; P.L. 112-10; P.L. 112-74; INL, response to SIGIR data call, 10/16/2012.

quarter, \$1.16 billion of these appropriations had been obligated, with \$989 million expended. Nearly all of the \$157 million in unobligated INCLE funds are available for obligation to new projects. In addition, \$167 million of obligated INCLE funds had not been expended.⁷⁵

The Police Advisors category accounted for 97% of the \$103 million in new INCLE obligations made during the quarter. More than \$73 million in INCLE funds were expended during the quarter—85% (\$62 million) under the Police Advisors category.⁷⁶

For the status of the INCLE, including a breakdown of unexpended obligations, see Figure 2.4. For the status and quarterly change of the INCLE, by sector and program, see Table 2.4.

The Police Advisors category accounted for 97% of the \$103 million in new INCLE obligations made during the quarter.

Other Funds

The Congress has made \$9.02 billion available for Iraq reconstruction through several smaller

TABLE 2.4
INCLE: STATUS OF FUNDS, BY SECTOR AND PROGRAM, AS OF 9/30/2012
 \$ Millions

SECTOR	PROGRAM	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Criminal Justice	Police Advisors	710.2	620.6	102.7	61.9
	Courts	109.3	86.1		
	Public Integrity	31.7	25.9		
	Rule of Law Advisors	26.1	18.9		
	Major Crimes Task Force	13.5	11.9		
	Justice Integration	6.8	6.3		
	Justice Programs	9.5	4.7	-0.2	2.6
	Legal Framework	2.5	2.5		
	Subtotal	909.6	777.0	102.4	64.5
Corrections	Construction	83.7	83.3		
	Advisors	98.2	81.6	1.0	0.8
	Corrections	13.2	10.9	-0.5	7.8
	Subtotal	195.1	175.8	0.5	8.6
Other	Program Development & Support	47.3	35.8	0.1	0.2
Counternarcotics	Counternarcotics	3.5	0.2	2.5	
Total		1,155.4	988.8	105.5	73.2

Note: Data not audited. Numbers affected by rounding.

Sources: INL, responses to SIGIR data calls, 7/10/2012 and 10/16/2012.

funding streams. SIGIR classified them into three categories: other assistance programs (\$5.64 billion), reconstruction-related operating expenses (\$2.94 billion), and reconstruction oversight (\$445 million).⁷⁷ Among the “other assistance” funds, the two largest have the most unobligated funding:

- **Migration and Refugee Assistance (MRA)**—\$1.50 billion appropriated, \$1.49 billion obligated, \$1.34 billion expended, leaving \$7 million available for obligation to new activities. The MRA has been used by the DoS Bureau of Population, Refugees and Migration to assist Iraqi refugees in neighboring countries and internally displaced persons in Iraq.⁷⁸
- **Foreign Military Financing (FMF)**—\$850 million appropriated, none of which has been

obligated or expended. The FMF was first made available to Iraq in FY 2012, when the Congress made no new ISFF appropriations. The program is intended to support the continued development of the Iraqi military.⁷⁹

At least \$5.81 billion (64%) from the smaller funding streams had been obligated as of September 30, 2012, with at least \$5.51 billion (61%) expended.⁸⁰ However, agency reporting is inconsistent for many of the smaller funds, and these values likely understate actual obligations and expenditures.

For an overview of all U.S. appropriations supporting Iraq relief and reconstruction, see Table 2.5.♦

Agency reporting is inconsistent for many of the smaller funds, and these values likely understate actual obligations and expenditures.

FUNDING FOR IRAQ RECONSTRUCTION

TABLE 2.5
U.S. APPROPRIATED FUNDS
\$ Millions

	P.L. 108-7, P.L. 108-11	P.L. 108-106, P.L. 108-287	P.L. 109-13	P.L. 109-102, P.L. 109-148, P.L. 109-234
	FY 2003	FY 2004	FY 2005	FY 2006
MAJOR FUNDS				
Iraq Relief and Reconstruction Fund (IRRF 1 and IRRF 2) ^a	2,475	18,389		
Iraq Security Forces Fund (ISFF)			5,490	3,007
Economic Support Fund (ESF) ^b				1,469
Commander's Emergency Response Program (CERP) ^c		140	718	708
International Narcotics Control and Law Enforcement (INCLE)				91
Subtotal	2,475	18,529	6,208	5,275
OTHER ASSISTANCE PROGRAMS				
Migration and Refugee Assistance (MRA) and Emergency Refugee and Migration Assistance (ERMA) ^d	40			
Foreign Military Financing (FMF)				
Natural Resources Risk Remediation Fund (NRRRF) ^e	801			
Iraq Freedom Fund (Other Reconstruction Activities) ^f	700			
P.L. 480 Food Aid (Title II and Non-Title II)	368		3	
International Disaster Assistance (IDA) and International Disaster and Famine Assistance (IDFA)	24		7	
Democracy Fund (DF) and Human Rights & Democracy Fund (HRDF)				
U.S. Contributions to International Organizations (CIO)				
Iraq Freedom Fund (TFBSO)				
Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) ^g				
Department of Justice (DoJ)	37		6	11
Child Survival and Health Programs Fund (CSH)	90			
Education and Cultural Exchange Programs (ECA)				7
Overseas Humanitarian, Disaster and Civic Aid (OHDACA)	9	15	3	
International Affairs Technical Assistance				13
International Military Education and Training (IMET)				
U.S. Marshals Service ^h			1	3
Alhurra-Iraq Broadcasting		5		
Subtotal	2,069	21	20	34
RECONSTRUCTION-RELATED OPERATING EXPENSES				
Coalition Provisional Authority (CPA) ⁱ		908		
Project and Contracting Office (PCO) ^j				200
Office of Security Cooperation-Iraq (OSC-I)				
USAID Operating Expenses (USAID OE)	21	38	24	79
DoD OSC-I Support				
Iraq Freedom Fund (PRT Administrative Costs)				
Subtotal	21	946	24	279
RECONSTRUCTION OVERSIGHT				
Special Inspector General for Iraq Reconstruction (SIGIR) ^k		75		24
Defense Contract Audit Agency (DCAA) ^l				16
DoS Office of the Inspector General (DoS OIG)				1
USAID Office of the Inspector General (USAID OIG)	4	2	3	
DoD Office of the Inspector General (DoD OIG)				5
Subtotal	4	77	3	46
Total	4,569	19,573	6,255	5,634

^a The Congress initially appropriated \$18,649 million to IRRF 2, but earmarked \$210 million to be transferred to other accounts for programs in Jordan, Liberia, and Sudan. In FY 2006, the Congress transferred approximately \$10 million into the IRRF from the ESF. In FY 2008, P.L. 110-252 rescinded \$50 million.

^b P.L. 108-11 provided \$10 million for war crimes investigations and \$40 million to reimburse the ESF account for resources advanced to fund supplies, commodities, and services prior to the conflict in Iraq.

^c Generally, the Congress does not appropriate the CERP to a specific country, but rather to a fund for both Iraq and Afghanistan. SIGIR reports DoD's allocation to the CERP for Iraq as an appropriation.

^d PRM reported that its final allocation of FY 2012 MRA funds for Iraq totaled \$249 million, down from \$256 million due to the shifting of funds to support the Syrian crisis.

^e Includes funds transferred from the Iraq Freedom Fund (IFF).

^f Includes funds appropriated to the IFF by P.L. 108-11, Title I, and transferred to reconstruction activities, with the exception of funds transferred to NRRRF, which are recorded under that fund.

^g The \$20 million reported for FY 2009 was appropriated by P.L. 111-8.

^h DoJ reported that \$24 million was made available under P.L. 111-118 and P.L. 111-212.

ⁱ Excludes \$75 million for the Special Inspector General for Iraq Reconstruction under P.L. 108-106.

^j Reconstruction support funding is provided for Project and Contracting Office (PCO) activities per the P.L. 109-234 and P.L. 110-28 conference reports.

^k SIGIR funding data includes personnel costs. Those costs are not included in funding data for the other oversight agencies.

^l DCAA reported that \$1.98 million was made available in FY 2006 under P.L. 109-108.

P.L. 109-289, P.L. 110-5, P.L. 110-28	P.L. 110-92, P.L. 110-116, P.L. 110-137, P.L. 110-149, P.L. 110-161, P.L. 110-252	P.L. 110-252, P.L. 111-32	P.L. 111-117, P.L. 111-118, P.L. 111-212	P.L. 112-10	P.L. 112-74	TOTAL APPROPRIATED	OBLIGATED	EXPENDED	EXPIRED
FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012				
						20,864	20,343	20,076	504
5,542	3,000	1,000	1,000	1,155		20,194	19,569	18,762	625
1,554	562	542	383	326	299	5,134	4,578	4,199	260
750	996	339	263	44		3,958	3,728	3,728	230
170	85	20	702	115	130	1,313	1,155	989	
8,017	4,643	1,901	2,347	1,639	429	51,463	49,373	47,754	1,620
78	278	260	316	280	249	1,501	1,494	1,339	
					850	850			
						801	801	801	
						700	680	654	
	24					395	395	395	
45	85	51	42	17		272	261	261	
190	75	1				266	266	262	
	38	30	33	33	44	179			
50	50	74				174	86	65	
19	16	36	30	30	32	163	62	62	
23	26	8	9	10	4	133	121	119	
						90	90	90	
5	7	7	7	8	5	46			
						27	27	10	
3						16	16	14	
1	2	2	2	2	2	11	9	6	
2	2	1				9	9	9	
						5	5	5	
416	602	468	440	380	1,187	5,638	4,323	4,093	
						908	832	799	
630						830			
					524	524			
37	41	48	52	51	54	446	320	286	
				129		129			
100						100			
767	41	48	52	180	578	2,937	1,152	1,085	
35	3	44	23	22	20	245	229	222	
14	14	13	24	30		111	111	111	
3	4	6	7	5	9	35			
3	7	4	7			29			
	21					26			
55	48	67	61	57	29	445	340	333	
9,256	5,333	2,484	2,900	2,256	2,223	60,483	55,187	53,265	1,620

Sources: P.L. 108-7; P.L. 108-11; P.L. 108-106; P.L. 108-287; P.L. 109-13; P.L. 109-102; P.L. 109-148; P.L. 109-34; P.L. 109-289; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 111-118; P.L. 111-212; P.L. 112-10, P.L. 112-74; ABO, response to SIGIR data call, 1/18/2012; BBG, response to SIGIR data call, 3/7/2011; DCAA, response to SIGIR data call, 10/4/2011; DoJ, Justice Management Division, response to SIGIR data call, 10/9/2012; DoS, PM, response to SIGIR data call, 7/6/2011; DoS, "Congressional Budget Justification: Foreign Assistance," Summary Tables, FY 2009–FY 2011; DoS, "Executive Budget Summary Function 150 & Other International Programs, Fiscal Year 2013," p. 173; DRL, response to SIGIR data call, 7/9/2012; ECA, response to SIGIR data call, 4/14/2010; OMB, response to SIGIR data call, 6/21/2010; INL, response to SIGIR data call, 10/16/2012; USAID, "U.S. Overseas Loans and Grants [Greenbook]," 2008, gbk.eads.usaidallnet.gov/query/do?_program=eads/gbk/countryReport&unit=N, accessed 4/15/2010; U.S. Treasury, OTA, "Office of Technical Assistance Overview," 12/30/2005, ustreas.gov/offices/internationalaffairs/assistance/, accessed 10/16/2009; TFSO, response to SIGIR data call, 1/4/2011; SIGIR Audit 11-007, "Iraq Relief and Reconstruction Fund 1: Report on Apportionments, Expenditures, and Cancelled Funds," 12/28/2010; USAID, responses to SIGIR data calls, 1/12/2009, 4/8/2009, 10/2/2012, and 10/15/2012; U.S.Embassy-Baghdad, responses to SIGIR data calls, 10/3/2009, 10/5/2011, 1/4/2012, 4/3/2012, 7/3/2012, and 10/1/2012; NEA-I, responses to SIGIR data calls, 10/4/2012, 10/6/2010, 4/15/2011, 9/28/2011, 9/20/2012, 9/27/2012, 9/25/2012, 10/1/2012, 10/2/2012, and 10/10/2012; OUSD(C), "United States Department of Defense Fiscal Year 2012 Budget Request," Overview, 2/2012, p. 66, and responses to SIGIR data calls, 10/14/2010 and 10/2/2012; USACE, responses to SIGIR data calls, 10/6/2008 and 10/1/2012.

IRAQI FUNDING

As of September 30, 2012, Iraq had provided \$138.08 billion for relief and reconstruction through Coalition Provisional Authority spending of Iraqi funds in 2003–2004 (\$12.07 billion) and annual Government of Iraq (GOI) capital budgets in 2003–2012 (\$126.01 billion).⁸¹ This total includes \$31.88 billion provided in the GOI capital budget for Iraq’s 2012 fiscal year, which runs concurrently with the calendar year.⁸² Although the Council of Ministers (CoM) approved a \$9.33 billion FY 2012 supplemental budget proposal on July 3, 2012,⁸³ the Council of Representatives (CoR) did not approve it.⁸⁴

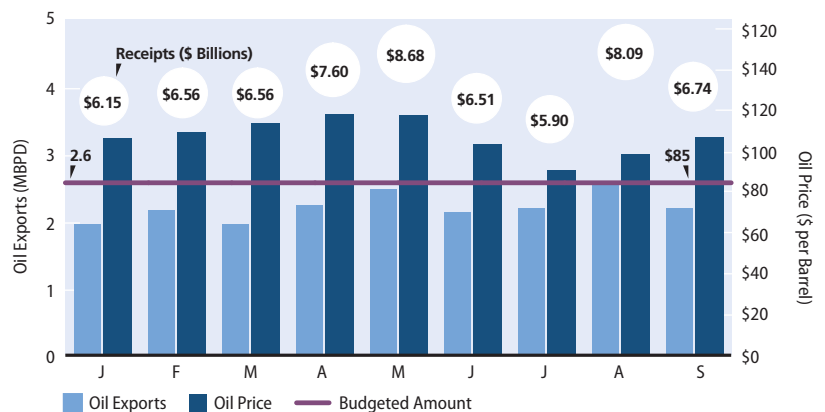
Oil Receipts

The 2012 Iraqi budget of \$100.45 billion assumes that 2012 oil receipts will total \$80.67 billion. This amount is based on an anticipated price of \$85 per barrel of crude oil and an average export volume of 2.6 million barrels per day (MBPD).⁸⁵ Although exports remained below the export target during the first nine months of the year according to U.S. Treasury data, the average monthly oil price never dropped below \$90.31 per barrel, more than offsetting the shortfall in export volume (see Figure 2.5). During the first nine months of 2012, the GOI received \$62.79 billion in oil receipts. This is a 12% increase from the same period in 2011, when oil receipts totaled \$56.07 billion.⁸⁶ While the \$20.73 billion in receipts this quarter constituted one of Iraq’s highest totals since 2003, the amount fell short of the previous quarter’s record of \$22.78 billion.⁸⁷

Draft 2013 Budget

On October 23, 2012, the CoM approved a draft 2013 GOI budget totaling \$118.4 billion—18% higher than the 2012 budget. The draft budget

FIGURE 2.5
MONTHLY CRUDE OIL EXPORT VOLUME, PRICE, AND RECEIPTS,
1/2012–9/2012



Note: Monthly export volumes shown in figure are based on data provided by the U.S. Department of the Treasury and differ slightly from export volumes reported by the GOI Ministry of Oil and used elsewhere in this Report. Oil receipts exclude the 5% of total oil-export revenues that are paid in war reparations to Kuwait.

Sources: GOI, CoR, “General Budget Law for the Federal Republic of Iraq for the Financial Year 2012,” 2/23/2012, www.parliament.iq/, accessed 2/23/2012; U.S. Treasury, response to SIGIR data call, 10/16/2012.

projects \$102.3 billion in revenue, based mostly on an estimated oil price of \$90 per barrel and an estimated export rate of 2.9 MBPD. This is an increase of \$5 (6%) per barrel in price and 0.3 MBPD (12%) in export volume over the estimates used to support the 2012 GOI budget. Approximately 60% of the budget (\$71.2 billion) would be set aside for operational costs, while the remaining 40% (\$47.2 billion) would be set aside for capital expenditures. The draft budget projects a deficit of \$16.1 billion. According to the draft budget, this deficit will be covered by unspent 2012 budget allocations, internal and external borrowing, and additional oil revenues that may occur due to increases in oil prices or exports. The draft budget still must be approved by the CoR.⁸⁸ ♦

During the first nine months of 2012, the GOI received \$62.79 billion in oil receipts. This is a 12% increase from the same period in 2011.

INTERNATIONAL SUPPORT

The IMF this quarter approved a 7-month extension of its \$3.58 billion Stand-By Arrangement with the GOI.

International support for Iraq reconstruction includes bilateral and multilateral development assistance in the form of loans and grants. Donor pledges have remained unchanged since December 31, 2010, totaling \$18.02 billion: \$5.26 billion in grants and \$12.77 billion in loans. Donor commitments total \$13.75 billion: \$6.51 billion in grants and \$7.24 billion in loans.⁸⁹

Japan, the largest (non-U.S.) international donor, committed \$5.82 billion, mostly loans.⁹⁰ The European Union (EU) is the second-largest bilateral donor, with \$840 million committed through grants. The EU also committed a total of \$774 million to the International Reconstruction Fund Facility for Iraq (IRFFI), a multilateral fund established in 2003 to help donors channel resources to Iraq reconstruction efforts.⁹¹

Multilateral development assistance, in the form of loan and grant commitments from the World Bank, United Nations, and International Monetary Fund (IMF), totaled \$4.32 billion as of September 30, 2012.⁹²

The IMF this quarter approved a 7-month extension (to February 2013) of its \$3.58 billion Stand-By Arrangement (SBA) with the GOI. The SBA, effectively a lending facility, was first scheduled to expire in February 2012 and later extended through July 2012. Despite projected budget deficits, the GOI so far has not needed to draw on the SBA, mainly because it has been unable to spend large percentages of ministerial capital budgets, resulting in annual surpluses.⁹³ According to the IMF, the extension will give the GOI more time to implement the policy measures needed to complete the IMF's combined third and fourth reviews of Iraq's progress in these areas.⁹⁴

For information on the key objectives of the arrangement, see the Economy subsection of this Report.

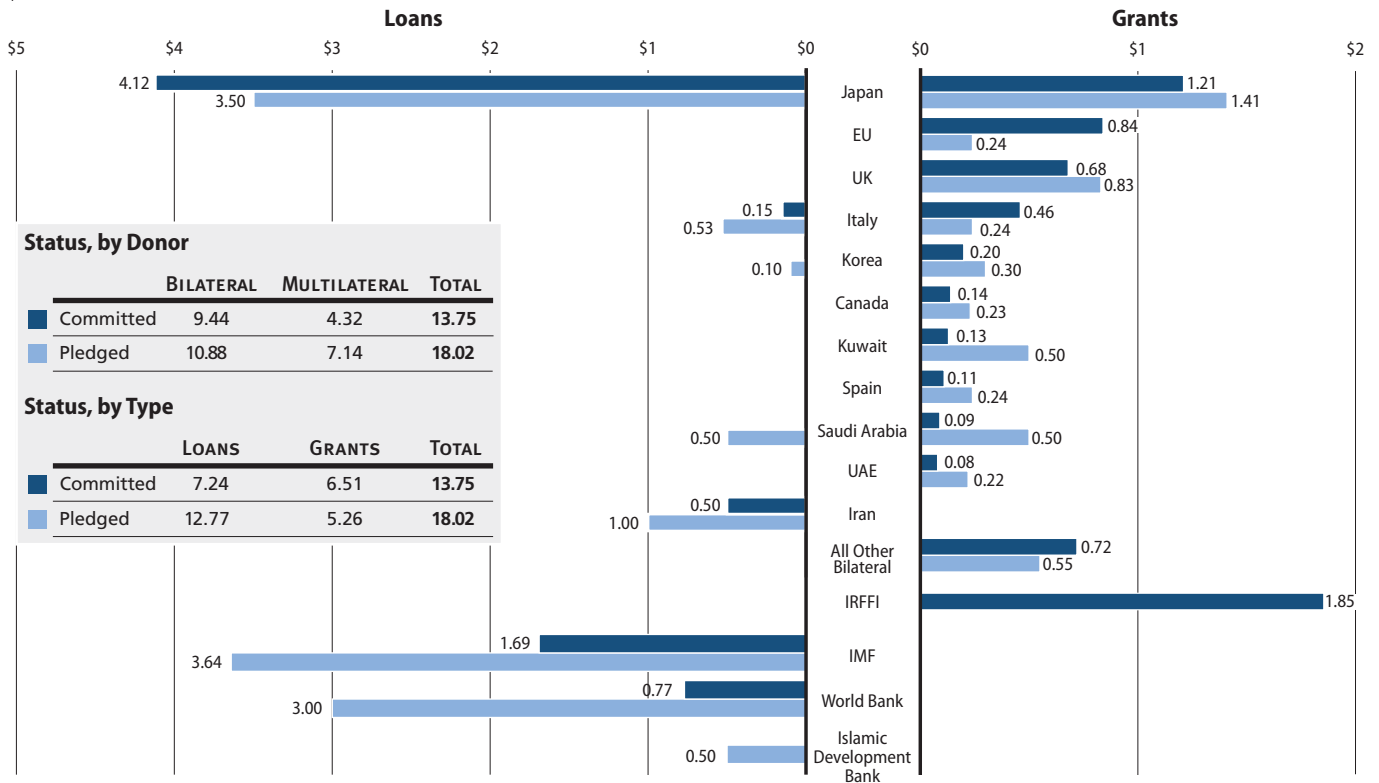
For a more comprehensive picture of pledges and commitments, by type of assistance and donor, see Figure 2.6. ♦

FUNDING FOR IRAQ RECONSTRUCTION

FIGURE 2.6

INTERNATIONAL GRANTS AND LOANS, BY TYPE OF ASSISTANCE, STATUS, AND DONOR, AS OF 9/30/2012

\$ Billions



Note: Data not audited. Numbers affected by rounding. Bilateral commitments exclude IRFFI deposits. Amounts may differ from prior quarters due to changes in foreign exchange rates.

Sources: NEA-I, responses to SIGIR data calls, 4/5/2011, 4/7/2011, and 7/12/2011; IRFFI, World Bank, "World Bank Operations in Iraq," 12/31/2011, siteresources.worldbank.org/IRFFI/Resources/DatasheetDecember2011.pdf, accessed 3/16/2012; Embassy of Japan in Iraq, press release, "Provision of Yen Loan to Iraq," 5/29/2012, www.iraq.emb-japan.go.jp/Press_Releases/Press_release_2012_No13.html, accessed 6/26/2012.

U.S.-FUNDED PROGRAMS IN IRAQ

THE U.S. MISSION IN IRAQ	28
CIVILIAN PROGRAMS	32
DEFENSE PROGRAMS	50

SECTION

3

THE U.S. MISSION IN IRAQ

The 104-acre Chancery Compound in Baghdad's International Zone is the largest U.S. embassy in the world.⁹⁵ Three consulates managed by the Department of State (DoS) extend the Embassy's diplomatic presence to the provinces. The facility for the U.S. consulate in Kirkuk was closed this quarter, with that consulate's operations and personnel now colocated with the Erbil consulate's staff at the Erbil Diplomatic Support Center. The third consulate is in Basrah.⁹⁶

The U.S. government's footprint in Iraq includes other sites that the Office of Security Cooperation-Iraq (OSC-I) manages in Baghdad, Tikrit, Taji, Besmaya, and Umm Qasr. DoS has slated all OSC-I sites for transition to Government of Iraq (GOI) control by the end of FY 2013,⁹⁷ by which time essential OSC-I personnel are expected to move from the Security Assistance Annex (formerly called Union III) to the Chancery Compound. Other OSC-I personnel may be located at GOI-controlled operating sites around Iraq, if a permanent OSC-I presence at those sites is required.⁹⁸ For more on the OSC-I transition, see the Defense Programs subsection later in this Report.

The U.S. Mission in Iraq is now led by Ambassador Robert Stephen Beecroft, who was sworn in as U.S. Ambassador to Iraq in a ceremony at the Embassy on October 11. On September 22, less than two weeks after President Barack Obama announced his intent to nominate Beecroft to be the U.S. Ambassador to Iraq, the U.S. Senate confirmed the nomination. A career member of the Senior Foreign Service, Beecroft had served as Deputy Chief of Mission at U.S. Embassy-Baghdad since July 2011 and as Chargé d'affaires since June 2012. Prior to his assignment in Baghdad, he was the U.S. Ambassador to Jordan from 2008 to 2011. Earlier in his career, he held posts at the U.S. embassies in Saudi Arabia and Syria.⁹⁹

U.S. Government and Contractor Personnel

In his Senate confirmation hearing, Ambassador Beecroft said that he was continuing the "glide path process" that his predecessor, Ambassador James Jeffrey, began early in 2012. He stated, "We have already made significant cuts in our staffing and contractor support and will further reduce our footprint without compromising our mission and security." According to the Ambassador, the U.S. Mission has reduced personnel by more than 2,000 since the beginning of the year. "We're now somewhere between 13,000 and 14,000 personnel in Iraq, down from over 16,000."¹⁰⁰

However, U.S. Embassy-Baghdad reported to SIGIR that 16,035 personnel were supporting the U.S. Mission in Iraq at the end of this quarter:¹⁰¹

- 1,075 U.S. government civilian employees, 55 of whom were "3161" temporary hires

DoS has slated all OSC-I sites for transition to Government of Iraq control by the end of FY 2013.



Grant House at the U.S. consulate in Erbil, September 2012.

Data supplied by the Embassy shows that the number of security contractor personnel dropped by one-third over the quarter.

- 14,960 contractor personnel (U.S., Iraqi, and third-country nationals), 3,836 of whom were providing security services

OSC-I reported that 240 military personnel were also supporting U.S. efforts in Iraq.¹⁰²

Table 3.1 compares the personnel levels reported to SIGIR at the end of last quarter with the levels

reported this quarter. According to the data provided by the Embassy, the total number of contractor personnel appears to have increased by almost 9% over the three-month period.

The Embassy explained that the number of contractors in July was actually higher than reported because the July figure omitted local-national employees of contractors. Data supplied by the Embassy also shows that the number of security contractor personnel dropped by one-third over the quarter. The Embassy said there were two reasons for this decrease:¹⁰³

- The Regional Security Office has been actively working to reduce the number of private security contractors by 20%.
- The closure of U.S. facilities in Kirkuk and at the Baghdad Police Annex, as well as the hiring of local nationals in Erbil, has lessened the need for security contractors.

According to the Synchronized Predeployment and Operational Tracker (SPOT) database, 12,661 employees of U.S.-funded contractor personnel and grantees supported U.S. government agencies in Iraq as of October 8, 2012.¹⁰⁴ This number seems consistent with the personnel level reported by Ambassador Beecroft, but it is about 2,300 less than the number reported to SIGIR by the Embassy. SPOT is the common database designated by DoS, the Department of Defense (DoD), and the U.S. Agency for International Development (USAID) to be used as the system of record for statutorily required contract, funding-instrument, and personnel information in Iraq and Afghanistan. All three agencies have issued directives requiring contractors to enter mandated information.¹⁰⁵ For the SPOT data on contractors and grantees, by agency and national origin, see Table 3.2. SIGIR cannot explain the discrepancy between the SPOT data and the Embassy data.

Further reflecting the difficulty in pinning down personnel numbers in Iraq, OSC-I reported to SIGIR on October 2, 2012, that it had functional oversight of 6,200 military, DoD civilian, and

TABLE 3.1
U.S. GOVERNMENT AND CONTRACTOR PERSONNEL IN IRAQ, AS REPORTED BY EMBASSY AND OSC-I, 7/2012 VS. 10/2012

CATEGORY	TYPE	7/1/2012	10/1/2012	QUARTERLY CHANGE
U.S. Government Employees	Civilian	1,235	1,075	-160
	Military	178	240	62
	Subtotal	1,413	1,315	-98
Contractors	Program Support	8,035	11,124	3,089
	Security	5,737	3,836	-1,901
	Subtotal	13,772	14,960	1,188
Total Personnel		15,185	16,275	1,090

Note: U.S. government civilian personnel include permanent and temporary ("3161") employees.

Sources: U.S. Embassy-Baghdad, responses to SIGIR data calls, 7/6/2012, 10/1/2012, and 10/5/2012; OSC-I, responses to SIGIR data calls, 7/17/2012 and 10/2/2012.

TABLE 3.2
CONTRACTOR AND GRANTEE PERSONNEL IN IRAQ, AS REPORTED BY SPOT DATABASE, 7/2012 VS. 10/2012

AGENCY	NATIONALITY	7/2/2012	10/8/2012	QUARTERLY CHANGE
Department of Defense	U.S.	2,331	2,218	-113
	Iraqi	1,919	1,690	-229
	Third-Country	4,637	4,495	-142
	Subtotal	8,887	8,403	-484
Department of State	U.S.	2,206	2,040	-166
	Iraqi	58	48	-10
	Third-Country	1,201	2,066	865
	Subtotal	3,465	4,154	689
Other Civilian	U.S.	66	59	-7
	Iraqi	1	1	0
	Third-Country	58	44	-14
	Subtotal	125	104	-21
Total Personnel		12,477	12,661	184

Sources: DoD, OUSD(AT&L), SPOT Program Support, responses to SIGIR data calls, 7/2/2012 and 10/15/2012.

contractor personnel as of the end of the quarter.¹⁰⁶ But on October 15 (perhaps partly as a result of the closure of facilities in Kirkuk), OSC-I revised this number to 4,339.¹⁰⁷ In contrast, the SPOT report said that there were more than 8,400 DoD contractors in Iraq as of October 8.¹⁰⁸

From LOGCAP to BLISS

This quarter, DoS announced its intention to award a new contract as early as April 2013 for the provision of life-support, logistics, operations, and maintenance services at U.S. Embassy-Baghdad and other U.S. diplomatic posts and facilities in Iraq. The services to be provided under the proposed Baghdad Life Support Services (BLISS) contract would replace those currently provided under DoD's Logistics Civil Augmentation Program (LOGCAP) and by the Defense Logistics Agency, such as:¹⁰⁹

- food service operations, including all aspects of menu design; forecasting of requirements; ordering of food from local, regional, and worldwide providers; dry and cold storage operations; ice production; and bulk water
- firefighting operations, including crash and rescue at heliports
- maintenance of chemical latrines and hand-washing stations
- medical waste handling and disposal, including incinerator operations
- medical laundry services
- recreation services
- postal and delivery services
- badging and vehicle placards
- bulk-fuel operations, including inventory control/oversight from local sources, ordering, receipt management, and project management

The services provided under the contract would support civilian U.S. government personnel, military units, and authorized contractors who support the Chief of Mission.¹¹⁰

Oversight of Reconstruction Projects after Closure of ISPO

The Iraq Strategic Partnership Office (ISPO), which superseded the Iraq Transition Assistance Office in May 2010 and was responsible for overseeing various reconstruction projects funded by the Iraq Relief and Reconstruction Fund (IRRF) and the Economic Support Fund (ESF), dissolved on August 1, 2012. ISPO's three remaining employees transferred into the Embassy's Economic Section, which now provides overall direction for ongoing projects that had been under ISPO's purview. The Economic Section is responsible for formally transferring IRRF-funded and ESF-funded assets to the GOI's Ministry of Planning and for determining if any ongoing projects should be descoped or terminated.¹¹¹

Day-to-day oversight of individual ongoing projects is the responsibility of the Middle East District (MED) of the U.S. Army Corps of Engineers (USACE).¹¹² USACE reported that the closing of ISPO has not affected its responsibilities relative to ongoing and planned ESF-funded activities in Iraq, but that its staff in MED's Iraq Area Office and in Winchester, Virginia, now coordinate DoS-funded work in Iraq with staff in the Economic Section.¹¹³

While the Economic Section is responsible for the formal transfer of assets at the national level, USACE is responsible for local transfer of a completed project to the GOI end user. In accordance with USACE policy on warranty and transfer, the Iraq Area Office intends to conduct warranty inspections four and nine months after completion of construction. According to USACE, these inspections are not mandatory, but the Iraq Area Office's goal is to perform them at the required intervals, subject to security conditions at the time of the scheduled inspections and the availability of contractor security teams or Iraqi quality-assurance personnel to make the visits. USACE reports that it has not been funded to conduct sustainment site visits on completed projects, except as part of the warranty inspection process.¹¹⁴

USACE reports that it has not been funded to conduct sustainment site visits on completed projects, except as part of the warranty inspection process.

For details on recently completed and ongoing ESF-funded reconstruction projects, see the Defense Programs subsection of this Report.

Strategic Framework Agreement

The Embassy reported that three meetings were held this quarter as part of the ongoing implementation of the U.S.-Iraqi Strategic Framework Agreement (SFA). Signed by the United States and the GOI in November 2008, the SFA provides the basis for the bilateral relationship between the two countries. Issues covered by the SFA include political relations and diplomacy, defense and security, trade and finance, energy, judicial and law-enforcement issues, services, science, culture, education, and the environment. The joint U.S.-GOI Higher Coordinating Committee has overall responsibility for the SFA, while the work of implementing the agreement is managed by seven sector-specific Joint Coordinating Committees (JCCs).¹¹⁵

The Political and Diplomatic JCC met at the Iraqi Ministry of Foreign Affairs in Baghdad on September 2, led by the Iraqi Foreign Minister Hoshiyar Zebari and Ambassador Elizabeth

Jones, the U.S. Assistant Secretary of State for Near Eastern Affairs. The delegations discussed international efforts to address the ongoing crisis in Syria and explored areas of potential cooperation, particularly on humanitarian issues and technical advice on border security. Both sides said they remained fully committed to “a Syrian-led political transition leading to a pluralistic political system representing the will of the Syrian people.” On other topics, the U.S. representatives reiterated that the United States is committed to working with both Iraq and Kuwait to resolve remaining issues relating to the UN Chapter VII sanctions imposed on Iraq in the wake of its 1990 invasion of Kuwait, and they pledged to assist Iraq in implementing its 2013 provincial and 2014 national elections.¹¹⁶

The Embassy also reported that two JCC working groups met in Baghdad this quarter. A working group of the Energy Cooperation JCC met on July 30 to review ongoing developments in Iraq’s oil and gas sector (including the status of efforts to remove bottlenecks that are preventing oil exports from keeping pace with production increases), and a Defense and Security Cooperation JCC working group met on September 17.¹¹⁷◆

The U.S. representatives pledged to assist Iraq in implementing its 2013 provincial and 2014 national elections.

CIVILIAN PROGRAMS

Department of State

Bureau of International Narcotics and Law Enforcement Affairs

The Bureau of International Narcotics and Law Enforcement Affairs (INL) supports rule-of-law programs designed to assist the GOI's law-enforcement entities, courts, and anticorruption institutions. As of September 30, 2012, \$1.31 billion of the International Narcotics Control and Law Enforcement (INCLE) account had been appropriated and \$1.16 billion had been obligated for programs in Iraq, over 85% (\$989 million) of which had been expended.¹¹⁸

As of September 30, INL reported that it had 105 personnel in Iraq, including 31 Iraqis.¹¹⁹ Table 3.3 provides information on their assignments.

Police Development Program

The INL Police Development Program (PDP) is intended to help Iraq improve its capabilities to fight crime and terrorism while promoting the rule of law and respect for human rights. In partnership with

the GOI, the PDP seeks to prepare the Ministry of Interior (MOI) and Iraqi police forces to take the lead role in maintaining Iraq's internal security.¹²⁰

INL's original plan for the PDP envisioned a program with 350 expert advisors.¹²¹ However, in response to SIGIR audits, the findings of the first six-month program review, and the desires of the MOI, the PDP was re-scoped, and a new program (referred to unofficially as PDP 2) was developed.¹²²

The reduced requirements for the PDP left FY 2012 INCLE funds available for expenditure in FY 2013 and a reduced need for additional funding in FY 2013. INL initially requested \$703.1 million for the PDP in FY 2013 but notified the Congress this quarter that it had reduced its requirement to \$149.6 million—21% of the originally planned amount.¹²³

As of September 30, INL reported it had 69 PDP staff working in Baghdad and Erbil—35 temporarily hired DoS personnel (so-called 3161s) serving as expert advisors, 7 Department of Homeland Security (DHS) employees, and 27 contractors.¹²⁴ That is a reduction from 62 advisors, 10 DHS employees, and 36 contractors at the end of the last

In response to SIGIR audits, the findings of the first six-month program review, and the desires of the MOI, the PDP was re-scoped.

TABLE 3.3
INL PERSONNEL WORKING IN IRAQ, AS OF 9/30/2012

CATEGORY	TYPE	JUSTICE PROGRAMS	POLICE DEVELOPMENT PROGRAM	CORRECTIONS PROGRAM	INL MANAGEMENT AND STAFF	TOTAL	CHANGE FROM LAST QUARTER
U.S. Government Employees	Temporary Hire (3161)	1	35	–	7	43	-30
	Permanent Hire	3	7 ^a	–	12	22	-11
	Subtotal	4	42	–	19	65	-41
Contractors	U.S.	6	2	1	–	9	-11
	Iraqi	5	25	–	1	31	-19
	Subtotal	11	27	1	1	40	-30
Total Personnel		15	69	1	20	105	-71
Change from Last Quarter		-2	-31	–	-17		

^a7 DHS personnel implement PDP programming via an interagency agreement (IAA) between DoS and the Department of Homeland Security. Other agencies implementing INL programs via IAAs, including the Department of Justice and Department of the Treasury, are included.

Sources: INL, responses to SIGIR data call, 9/27/2012 and 10/1/2012.

quarter.¹²⁵ The PDP has been reducing the number of advisors through attrition as individual appointments expire. INL had 21 expert advisors working in Baghdad and an additional 14 working in Erbil as of September 30, 2012. For the PDP 2, which began on October 1, 2012, INL has planned for 18 advisors and 4 support personnel at each of the program’s two locations.¹²⁶

In response to a specific request from Principal Deputy Minister of Interior Adnan al-Asadi, the PDP 2 in Baghdad concentrates on five areas:¹²⁷

- antiterrorism/organized crime (which includes cyber crime and criminal intelligence)
- forensic evidence (which includes DNA and other crime evidence)
- information technology and communications (which addresses crime database management and emergency response/communications)
- post-blast analysis and explosive ordnance (which includes explosive detection)
- border security

The PDP in Erbil works with the MOI for the Kurdistan Regional Government (KRG) to address many of the same issues, including criminal investigations, forensic evidence, information technology (IT) and communications, and border security. It also focuses on the areas of operations support and public safety (including community policing and civil disturbance response).¹²⁸

According to INL’s Assistant Chief of Mission for Iraq, Deputy Minister Asadi agreed to INL’s preliminary plans for the PDP 2 in a July 19 meeting.¹²⁹

Facilities for Police Training

INL handed over the Baghdad Police Academy Annex (BPAX) to the MOI on September 15, 2012. This facility had been intended to provide the housing and supporting structure for the original, more expansive PDP. INL reported that, as of September 30, 2012, the PDP had spent \$253.4 million on facility improvements at four locations, including BPAX.¹³⁰ Figure 3.1 provides a breakdown of spending by location.

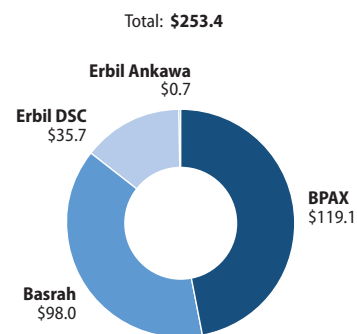
This quarter, the PDP began conducting its training at a facility in the International Zone (IZ). INL has identified several additional training sites in Baghdad, most of which are in or near the IZ. According to INL, the DoS Regional Security Office (RSO) is conducting security assessments of the first three of these sites. INL also reported that it is continuing to follow up with the MOI on Deputy Minister al-Asadi’s offer for the MOI to provide a venue within the IZ for INL training activities.¹³¹

Recent PDP Activities

According to INL, the PDP conducted 384 separate engagements this quarter—16% fewer than last quarter—including these reported activities:¹³²

- In Baghdad, the PDP had 154 engagements with the MOI and others, including consultation with the European Union Integrated Rule of Law Mission for Iraq (EUJUST LEX) and EU member states to coordinate police training efforts. The PDP has completed a joint curriculum-development project for the Baghdad Federal Investigative Training Center, handing over a 12-week investigations training course. This course will be delivered in a train-the-trainer

FIGURE 3.1
U.S. FUNDING FOR INL FACILITIES IN IRAQ
\$ Millions



Note: Numbers affected by rounding. Although INL reported \$48.63 million expended for facilities in Basrah, SIGIR Audit 12-020, “Iraq Police Development Program: Lack of Iraqi Support and Security Problems Raise Questions about the Continued Viability of the Program,” found that \$98 million had been spent to prepare facilities for PDP training.

Source: INL, response to SIGIR data call, 10/1/2012.

INL handed over the Baghdad Police Academy Annex to the MOI on September 15, 2012.

format by EUJUST LEX, Iraqi, and U.S. trainers beginning in October 2012.

- In Erbil, the PDP had 230 engagements, including regular meetings with KRG representatives and EU member states to ensure that KRG priorities are reviewed and used to align PDP objectives.

Monitoring and Evaluation

INL reported that its Monitoring and Evaluation (M&E) team, which comprises two personnel (one in Baghdad, the other in Erbil), this quarter produced a quarterly review of the PDP for April 1–June 30, 2012. However, according to INL, the report contains sensitive source information that has not been approved for public release.¹³³

Anticorruption Initiatives

INL manages its transparency, accountability, and public-integrity efforts through the Anti-Corruption Coordination Office (INL/ACCO). INL/ACCO is staffed by two Foreign Service Officers, a contract program assistant, a contract linguist/cultural advisor, and three positions for local hires (not all positions were filled this quarter). INL reported that it will continue to evaluate staffing levels to ensure they are commensurate with the level of anticorruption programming.¹³⁴

ACCO's programs mainly support Iraq's efforts to implement a national anticorruption strategy that will help it to comply with its commitments under the UN Convention Against Corruption (UNCAC), which it ratified in 2008, and to make progress in the areas of transparency and good governance. ACCO consults with the Commission of Integrity (COI) and supports other Iraqi agencies both at the federal and regional level.¹³⁵

INL-funded support for the COI through the Department of Justice (DoJ) **International Criminal Investigative Training Assistance Program** (ICITAP) concluded, as scheduled, at the end of September 2012.¹³⁶ From October 2004 through the end of the program, INL provided \$16.18 million to fund ICITAP advisor support, training,

and information technology and surveillance equipment for the COI. ICITAP reported that COI personnel trained in the Biometrics Data Collection System by ICITAP in 2007 have now used photo, voice, iris-pattern, and fingerprint technology to process all 2,190 COI employees. The system will continue to be used to vet new COI employees. ICITAP transitioned its training activities to the United Nations Office on Drugs and Crime (UNODC), which will focus on providing additional specialty training in financial crimes investigation techniques and asset-recovery procedures.¹³⁷

More than \$21 million in ACCO programs remain ongoing:

- The **Anti-Corruption Investigative Training Program** for Iraqi Inspectors General (IGs) works to improve administrative organization within the Iraqi IG offices and provides for the extension of these offices to the provinces. INL provided \$6.0 million (\$5.61 million in direct costs and \$392,000 in management support) for the United Nations Development Programme (UNDP) to provide skills assessment, training, manuals, and a secure IT communication system through the program, which is expected to run through September 2014.¹³⁸
- **COI Financial Investigative Training and Asset Recovery Program** activities have been implemented by UNODC since September 2010, funded by \$4.0 million from INL. The program has offered training programs to build the COI's capacity to conduct financial crimes investigations and recover assets in partnership with foreign jurisdictions. The program was extended until December 2012 to allow completion of activities.¹³⁹
- INL has supported the DoJ's Office of Overseas Prosecutorial Development and Assistance (OPDAT) in providing **Anti-Money Laundering Training and Assistance** to the COI with INCLE and Nonproliferation, Anti-terrorism, Demining and Related Program (NADR) funds totaling \$3.17 million since September 2010. The program (expected to run through September 30, 2013) funds the OPDAT

More than \$21 million in ACCO programs remain ongoing.

Resident Legal Advisor, who provides training, mentoring, and guidance to the GOI to enhance its capability to combat money laundering and terrorist financing.¹⁴⁰

- Since September 2010, INL has funded the **Financial Crimes Training Program**, implemented by the Department of the Treasury's Office of Technical Assistance (OTA), with \$1.9 million of the INCLE. The program (expected to run through October 2013) funds an OTA resident advisor, who provides training assistance to enhance the COI's capacity to prevent, detect, investigate, and prosecute government corruption and related serious financial crimes.¹⁴¹
- The **English as a Second Language Project** (also called *Tumoooh*) began in September 2011, funded by INL with \$1.5 million of the ESF. UNDP implements the program, which is expected to run through September 2013. The program screens COI, IG, and Higher Judicial Council (HJC) personnel for placement into classes it will conduct to help participants improve their English language proficiency and their ability to work with international colleagues. As of June 2012, the COI had put forward 36 candidates; 32 qualified to take intermediate to advanced courses. Of 20 IG candidates, 9 qualified to participate. The HJC was expected to submit 30 candidates, with the top 15 scores advancing for training.¹⁴²
- INL provided \$1 million to Revenue Watch International to provide support for the Iraq **Extractive Industry Transparency Initiative**, which aims to promote transparency and combat corruption in the oil, gas, and mining industries.¹⁴³

Other INL Activities

INL supported the HJC in FY 2012 through grant and program activities, including:¹⁴⁴

- two grants—\$4.5 million to the National Center for State Courts for improving court administration and \$1.4 million to the Institute for International Law and Human Rights for data archiving

- three UN programs—\$3.8 million to UNDP for data management, \$3.2 million to UNDP for increasing judicial capacity, and \$1 million to the United Nations Educational, Scientific and Cultural Organization (UNESCO) for media outreach (with the UNESCO grant remaining in abeyance because of that organization's recognition of the Palestinian Authority as a member state)

INL also assisted in developing Iraq's capacity to establish a national substance-abuse training, research, and treatment center in Baghdad and conducted epidemiological studies to determine the nature and extent of substance abuse in Iraq. INL reported that it intends to broaden its programmatic base by extending support for substance-abuse treatment services into three other provinces and introducing drug-use prevention programs in two provinces.¹⁴⁵

Office of Weapons Removal and Abatement

Since 2003, \$234 million has been invested in Iraq by the United States for the clearance and removal of landmines, unexploded ordnance, and excess conventional weapons and munitions. The Office of Weapons Removal and Abatement manages the Conventional Weapons Destruction (CWD) program in Iraq. As of September 30, 2012, approximately \$22 million in NADR-funded contracts were ongoing, employing 609 program personnel (98% Iraqi) and 177 security contractors. The eight CWD contracts in Iraq are intended to promote risk education and assistance to victims, restore access to land and infrastructure, and provide subject-matter experts to conduct an assessment of Iraq's mine-action capabilities. These contracts are currently scheduled to end between December 2012 and August 2013.¹⁴⁶

Office of Export Controls Cooperation

The DoS Bureau of International Security and Nonproliferation Office of Export Controls

As of September 30, 2012, approximately \$22 million in NADR-funded contracts were ongoing, employing 609 program personnel and 177 security contractors.

Cooperation (ISN/ECC) works with the GOI to develop trade controls that meet international standards. These programs are designed to assist the GOI in controlling its borders and managing customs efforts. ISN/ECC launched a bilateral program for Export Controls and Related Border Security (EXBS) with Iraq in October 2010, and the GOI passed a nonproliferation law in February 2012, which serves as a basis for strategic trade controls in Iraq.

DoS reported that the U.S. government is now working with the GOI to deploy the TRACKER licensing software system to improve Iraq's ability to control exports of sensitive items. The EXBS program will also work with border security agencies to strengthen their border security capabilities by conducting training designed to detect and interdict weapons-related goods and technologies.¹⁴⁷

At U.S. Embassy-Baghdad, one Foreign Service Officer in the Political-Military Affairs Section works directly with this issue, supported by the Political-Military team at the Embassy and by one ISN/ECC program manager in Washington, D.C. Upcoming events being planned this quarter include:¹⁴⁸

- training for 10 Iraqis in Amman, Jordan, on international legal treaties and conventions to combat corruption, organized criminal organizations, risk assessments, and trends in anticorruption investigations
- an October workshop in Amman for 13 GOI export-licensing officers on the seven major steps in licensing
- training in November in the United States for five Iraqis at the University of Georgia's Export Control Academy

As of September 30, ISN/ECC had obligated approximately \$4.0 million and expended \$2.6 million of NADR funding through the EXBS program during FY 2009–FY 2012. No funds have been obligated for FY 2013.¹⁴⁹

Bureau of Population, Refugees and Migration

Nearly \$1.76 billion has been allocated to the DoS Bureau of Population, Refugees and Migration (PRM) for programs to support Iraqi refugees and internally displaced persons (IDPs) since 2003. More than \$1.50 billion, or 85%, of this total came from Migration and Refugee Assistance (MRA) and Emergency Refugee & Migration Assistance funds, with the remainder coming from the IRRF and ESF. As of September 30, 2012, \$1.60 billion had been obligated, and \$1.59 billion had been expended.¹⁵⁰

PRM reported that its final allocation of FY 2012 MRA funds for Iraq activities totaled \$249.4 million, down from the \$256.4 million reported in July, because funds were shifted to support the Syrian crisis. Of this amount, \$248.60 million had been obligated and \$116.1 million had been expended as of the end of September 30, 2012.¹⁵¹ The President's FY 2013 MRA request of \$476.8 million for the Near East region includes funding to support the needs of Iraqi refugees, IDPs, and returnees to promote Iraqi stabilization. The President's request did not specify the amount of MRA funding for Iraqis.¹⁵²

Current Efforts in Iraq

This quarter, PRM continued to provide support for voluntary returns and reintegration, improved access to basic services, and basic humanitarian assistance. U.S. funds support UN High Commissioner for Refugees (UNHCR) programs implemented in coordination with Iraq's Ministry of Displacement and Migration (MoDM) to aid Iraqi refugees returning from Syria and other countries. U.S. funds help rebuild and rehabilitate shelters, improve water and sanitation systems, and increase returnees' access to MoDM benefits.¹⁵³

PRM also provided assistance for the growing number of Syrian refugees in Iraq. With PRM funds, UNHCR is providing the largest refugee camp, the Domiz camp in Dahuk, with tents, hygiene kits, non-food items, and education

PRM also provided assistance for the growing number of Syrian refugees in Iraq.

assessments. At al-Qaim camp in Anbar, UNHCR is using PRM funding to supply tents for shelter and educational purposes.¹⁵⁴

During this quarter, 19 projects implemented by nongovernmental organizations (NGOs) and collectively supported by approximately \$37.6 million in FY 2011 MRA funds were completed; and 19 NGO projects together received approximately \$34.7 million in new FY 2012 funds. Of the 19 projects that received FY 2012 funds, 14 provide health, educational, and other types of humanitarian support to Iraqi refugees in Jordan, Syria, Lebanon, and Turkey. The other five projects in Iraq support refugees and IDPs in the areas of gender-based violence, mental health, capacity building, education, livelihoods, and nutrition.¹⁵⁵

For details on the recent influx of returnees and Syrian refugees in Iraq, see the Governance subsection in Section 4 of this Report.

Iraqi Refugees and SIV Holders in the United States

PRM has assisted Iraqi refugees to resettle in the United States since October 2006. As of September 30, 2012, more than 73,000 Iraqis

had settled in the United States through the U.S. Refugee Admissions Program (USRAP). This quarter, more than 5,900 Iraqis resettled as refugees under the program, with the largest number resettling in California.¹⁵⁶

From October 1, 2006 through September 30, 2012, the United States issued more than 11,300 Special Immigrant Visas (SIVs) to Iraqis under the Interpreters and Translators Program and the Iraqi SIV program. This quarter, 520 SIVs were issued. Section 1059 of the National Defense Authorization Act for FY 2006 (P.L. 109-163) authorizes up to 50 SIVs annually to Iraqi translators who have worked directly with U.S. forces or for U.S. Embassy-Baghdad. Section 1244 of the National Defense Authorization Act for FY 2008 (P.L. 110-181) allows a maximum of 5,000 SIVs per year to Iraqi nationals who have worked for or on behalf of the U.S. government in Iraq and have experienced an ongoing threat as a consequence of that employment.¹⁵⁷

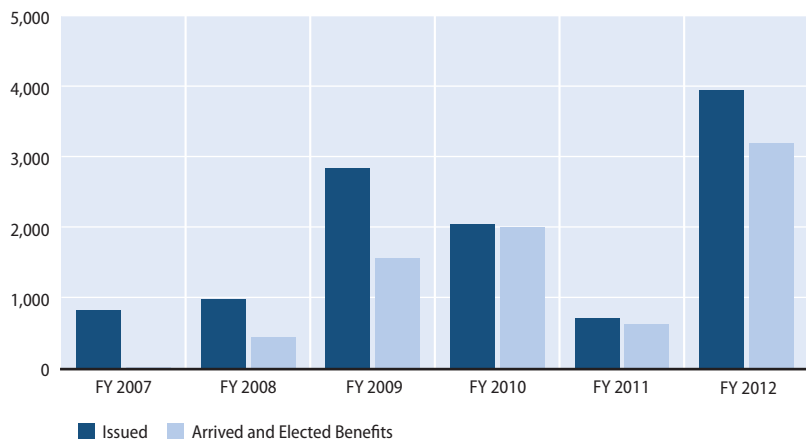
As of September 30, 2012, more than 8,000 Iraqi SIV holders had entered the United States and elected to receive resettlement and placement benefits. Of that total, 2,627 were admitted this year between April 1 and September 30, bringing the FY 2012 total to 3,193. DoS only tracks the arrivals of SIV holders who seek benefits through PRM.¹⁵⁸ Figure 3.2 compares SIV issuances with SIV arrivals since FY 2007.

The SIV program under Section 1244 of P.L. 110-181 is set to expire on September 30, 2013. According to PRM, the DoS Bureau of Legal Affairs is clearing draft legislation to extend this program for five additional years. The proposed legislation would require SIV applicants to complete the one year of qualifying service by September 30, 2013, with the application window open until September 30, 2017, and provisions for a one-year extension. The SIV program under Section 1059 of P.L. 109-163 does not expire.¹⁵⁹

In July, the Government Accountability Office (GAO) released a report on the U.S. refugee resettlement program, citing the challenges host

As of September 30, 2012, more than 8,000 Iraqi SIV holders had entered the United States and elected to receive resettlement and placement benefits.

FIGURE 3.2
SIV ISSUANCES AND IRAQI ARRIVALS IN THE UNITED STATES, FY 2007–FY 2012



Note: These numbers include both the Iraqis receiving SIVs on the Interpreters and Translators Program under Section 1059 and the Iraqi SIV Program under Section 1244.

Sources: PRM, responses to SIGIR data calls, 4/13/2012, 4/16/2012, 6/29/2012, 9/25/2012, and 10/15/2012.

communities face in receiving refugees. GAO found that refugees can bring cultural diversity and economic growth, but they can also strain community resources, including shelter, schools, healthcare providers, and assistance programs. GAO recommended that PRM provide additional guidance to resettlement agencies and settlement coordinators to encourage input from community stakeholders before making placement decisions. Additionally, although PRM provides cultural orientation and limited English language training programs, GAO noted that PRM does not currently measure refugee integration as a program outcome.¹⁶⁰

Bureau of Democracy, Human Rights and Labor

The DoS Bureau of Democracy, Human Rights and Labor (DRL) provided more than \$585.6 million over the last six years to administer foreign assistance programs that are intended to support Iraqi governance, human rights, and civil society. According to DRL, it has not yet received the \$22.8 million of FY 2012 ESF funds requested for its Iraq programs. DRL requested \$17.4 million for FY 2013.¹⁶¹

As of September 30, 2012, DRL had 44 ongoing contracts, grants, or cooperative agreements, collectively valued at \$114.5 million, to help promote human rights and democracy in Iraq. Forty projects are funded by the ESF, and four are funded by the Human Rights and Democracy Fund. The largest ongoing project this quarter continued to be a \$14 million ESF grant intended to strengthen Iraqi political institutions, a project expected to be completed by the end of 2012. Eleven new grant projects began this quarter, including projects to address gender-based violence, assist the media with legal and regulatory reform, and combat torture. All current projects are scheduled to be completed by the end of 2014.¹⁶²

Additionally, DRL assists the Secretary's Office of Global Women's Issues (S/GWI) with its grant management and programming. DRL

has collaborated with S/GWI to implement the Secretary's War Widows Program in Iraq. Initiated in 2009, this program provides grants to support Iraqi widows with legal assistance, livelihood assistance, literacy training, and human rights education. Currently, DRL and S/GWI are funding six grants under this program, collectively valued at \$6.8 million.¹⁶³

U.S. Agency for International Development

Current USAID programs seek to strengthen civil society and increase civic participation, implement reforms to encourage private sector-led economic growth, support the development of good governance and democratic institutions, support ethnic and religious minorities, and provide solutions for the reintegration of internally displaced persons.¹⁶⁴ As of September 30, 2012, USAID had been allocated \$2.93 billion in ESF funding to support reconstruction and development projects,¹⁶⁵ and USAID's Office of Foreign Disaster Assistance (OFDA) had contributed more than \$450 million to humanitarian assistance programs in Iraq.¹⁶⁶

USAID reported this quarter that its updated Country-wide Development Strategy for Iraq had been put on hold pending agreement among internal stakeholders about the strategy. USAID's current goal is to complete the strategy by March 2013.¹⁶⁷ The new strategy will update and replace USAID's 2010–2012 strategy, which focused on helping Iraq become a sovereign, stable, and self-reliant country.¹⁶⁸ In July, USAID stated that the updated strategy was scheduled to be completed by the end of 2012.¹⁶⁹

ESF Programs

As of September 30, 2012, USAID's active ESF programs had a combined contract ceiling of \$1.45 billion; almost \$1.07 billion had been obligated to these programs, and \$764.8 million had been expended. Included in these totals is the \$323 million

USAID reported this quarter that its updated Country-wide Development Strategy for Iraq had been put on hold pending agreement among internal stakeholders about the strategy.

This quarter, USAID signed three MOUs securing the GOI's commitment of financial participation of \$75.7 million.

third phase of the Community Action Program (CAP III), which concluded on September 30, 2012. Several other ESF-funded programs are approaching their scheduled end. During the quarter, USAID obligated \$27.8 million and expended \$65.4 million across its 14 active programs.¹⁷⁰

Figure 3.3 provides a program-by-program breakdown of unexpended funds for these programs. Figure 3.4 shows the percentage of each program's contract ceiling that has been expended in relation to where the program stands as a percentage of its potential contract life.

USAID received \$521.6 million in FY 2010 and FY 2011 ESF funding for Iraq. As of September 30, 2012, it had obligated nearly all of the FY 2010 and FY 2011 funds, for a combined total of \$516.9 million in obligations.¹⁷¹ USAID had expended \$251.3 million of these funds, leaving nearly \$265.6 million in unexpended obligations.¹⁷² USAID reported that unexpended obligations from all fiscal-year appropriations were approximately

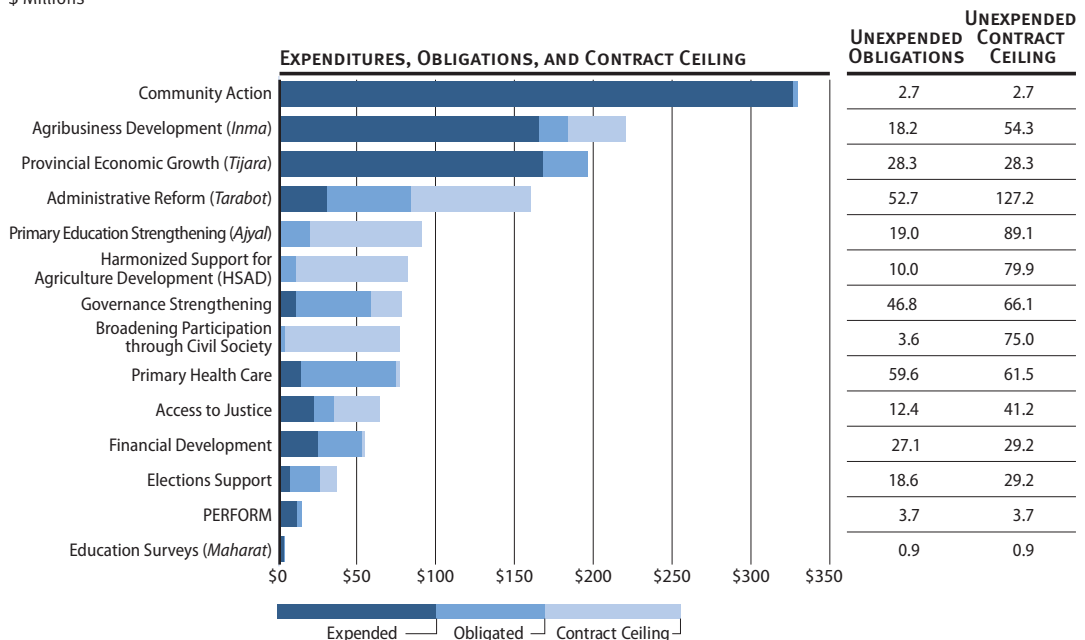
\$324.7 million. See Table 3.4 for the status of all fiscal-year ESF funds. According to USAID, no FY 2012 ESF funds have been allocated to its Iraq programs.¹⁷³

GOI Cost Sharing

This quarter, USAID signed three memorandums of understanding (MOUs) securing the GOI's commitment of financial participation of \$75.7 million—\$6.1 million for the *Tarabot* Administrative Reform Project, \$2.8 million for the *Maharat* education program, and \$66.8 million for the *Ajyal* education program. MOU language indicated the GOI's financial participation may take the form of either cash or in-kind contributions; however, USAID stated the GOI's contributions will be in-kind.¹⁷⁴ Table 3.5 shows the GOI cost-sharing requirements for ongoing ESF programs, as determined by USAID.

Based on DoS guidance, USAID reported that 5 of its 13 active ESF programs require cumulative

FIGURE 3.3
STATUS OF ACTIVE USAID ESF-FUNDED PROGRAMS, AS OF 9/30/2012
\$ Millions



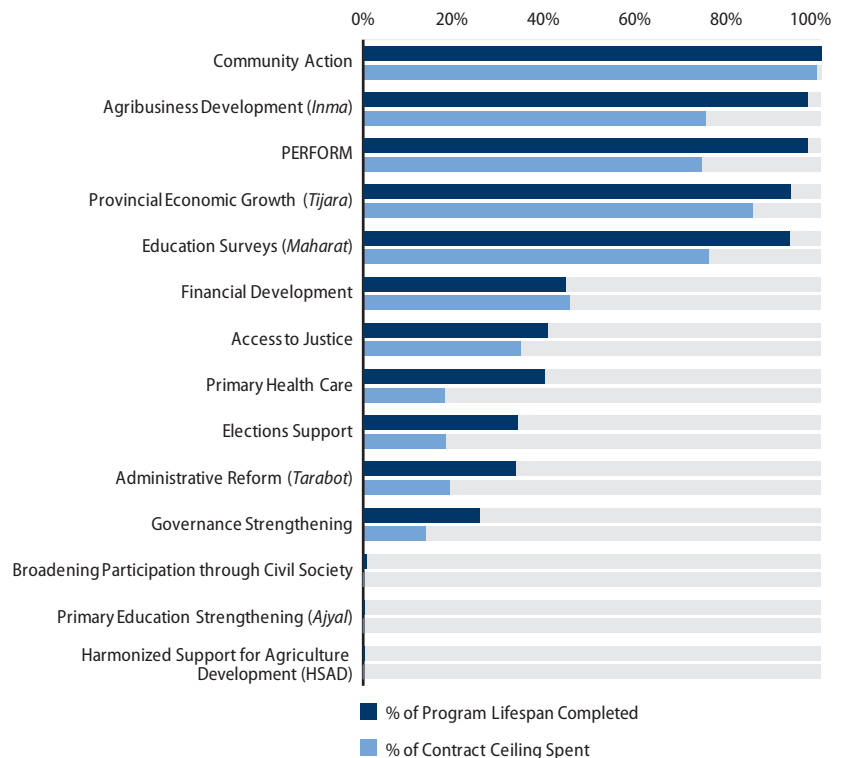
Source: USAID, response to SIGIR data call, 10/2/2012.

U.S.-FUNDED PROGRAMS IN IRAQ

cash or in-kind GOI financial participation of at least \$242.7 million. Last quarter, USAID reported that it had secured cost-sharing MOUs with the GOI in the amount of \$83.1 million and was seeking a cost-sharing agreement for several exempted programs.¹⁷⁵ As of September 30, of the \$242.7 million required in GOI financial contributions for its programs, USAID had secured MOUs committing the GOI to contribute \$158.8 million (65%).¹⁷⁶ According to USAID, the GOI contributed \$80 million to all donor development projects in 2012; of this amount, \$30 million (38%) supported USAID programs.¹⁷⁷

With regard to securing GOI financial participation for exempted programs, USAID previously reported it had secured a \$7 million cost-share agreement with the GOI for the Financial Development Project. According to USAID, the understanding with the GOI was that a large percentage of this amount was to be earmarked for refurbishing a previously damaged building in which to house the Banking Studies Center. However, the GOI later decided to use a different location that does not require refurbishment. USAID reported that it has identified other activities with the GOI that will meet the cost-share target. USAID stated that there has been “considerable” cost sharing with the

FIGURE 3.4
ACTIVE USAID PROGRAMS, % OF CONTRACT CEILING SPENT VS. % OF PROGRAM LIFESPAN COMPLETED, AS OF 9/30/2012



Source: USAID, response to SIGIR data call, 10/2/2012.

TABLE 3.4
STATUS OF USAID ESF FUNDING, BY FISCAL YEAR, AS OF 9/30/2012
\$ Millions

APPROPRIATION	ALLOCATED	OBLIGATED	EXPENDED	QUARTERLY CHANGES	
				OBLIGATIONS	EXPENDITURES
FY 2003	16.4	16.4	16.4		
FY 2006	483.4	473.4	463.2		8.2 (2%)
FY 2007	1,114.9	1,112.9	1,100.7	2.8 (0%)	
FY 2008	381.4	381.4	380.4		
FY 2009	410.4	403.3	367.5	-3.0 (-1%)	7.7 (2%)
FY 2010	242.0	239.2	184.8	-2.8 (-1%)	33.1 (22%)
FY 2011	279.6	277.7	66.4	30.9 (13%)	27.3 (70%)
Total	2,928.0	2,904.2	2,579.5	27.8 (1%)	76.3 (3%)

Note: Data not audited. Numbers affected by rounding.

Sources: NEA-I, responses to SIGIR data calls, 6/28/2012 and 10/2/2012.

TABLE 3.5
GOI COST-SHARING REQUIREMENTS FOR ONGOING ESF PROGRAMS, AS DETERMINED BY USAID
\$ Millions

PROGRAM	U.S. FUNDING			GOI CONTRIBUTION		
	TOTAL U.S. CONTRIBUTION	ESTIMATED SECURITY COSTS ^a	NET PROGRAM COSTS	EXEMPTED COSTS ^b	REQUIRED GOI COST SHARE ^c	GOI COMMITMENTS
Provincial Economic Growth (<i>Tijara</i>)	192.5	48.1	144.4	144.4	–	–
Agribusiness Development (<i>Inma</i>)	169.8	42.5	127.4	127.4	–	–
Administrative Reform (<i>Tarabot</i>) ^d	156.0	39.0	117.0	–	117.0	26.1
Primary Education Strengthening (<i>Ajyal</i>)	89.1	22.3	66.8	–	66.8	66.8
Harmonized Support for Agriculture Development (HSAD) ^f	80.0	20.0	60.0	–	–	–
Governance Strengthening	78.0	19.5	58.5	58.5	–	–
Broadening Participation through Civil Society	75.0	18.8	56.2	56.2	–	–
Primary Health Care	74.9	18.7	56.1	–	56.1	56.1
Financial Development ^e	53.3	13.3	40.0	40.0	–	7.0
Access to Justice	43.7	10.9	32.8	32.8	–	–
Elections Support	35.6	8.9	26.7	26.7	–	–
PERFORM - Monitoring & Evaluation	14.3	3.6	10.8	10.8	–	–
Education Surveys (<i>Marahat</i>)	3.7	0.9	2.8	–	2.8	2.8
Total	1,065.9	266.5	799.5	496.8	242.7	158.8

^aAn estimated 25% of all program costs go to security, which DoS guidelines exclude from the GOI's financial participation.

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

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

^dUSAID secured \$24.0 million GOI cost-share commitments for this program—all in-kind contributions, such as land or equipment.

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

^fUSAID stated that a portion of this project requires cost-sharing. The portion that works with the public sector will require cost-sharing and is being negotiated with the MoA. The private-sector portion is exempt from cost-share requirements.

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

Sources: USAID, responses to SIGIR data calls, 7/10/2012, 10/2/2012, 10/9/2012, and 10/15/2012.

USAID's overall staffing levels in Iraq will be reduced so that the agency can better respond to other countries in need of development and humanitarian assistance.

GOI through its training programs. According to USAID, the GOI's cost-share contribution for this program totaled approximately \$1.3 million in staff time devoted to program activities.¹⁷⁸

Program Implementation and Oversight

This quarter, USAID stated that its Iraq office responsible for overseeing the agency's programs throughout the country is continuing to downsize as the number and size of its development assistance programs decrease. According to USAID, the GOI has the ability to fund its own development programs; therefore, USAID's current effort is to provide technical assistance to help

the GOI implement their own programs. As a result, USAID's overall staffing levels in Iraq will be reduced so that the agency can better respond to other countries in need of development and humanitarian assistance.¹⁷⁹

Although USAID's current allocation for its Iraq office is 145 positions,¹⁸⁰ the actual number of people in the office has been lower. As of September 30, USAID reported 95 personnel in its Iraq office, which included 31 U.S. government employees and 64 contractors (4 U.S. citizens, 30 Iraqis, 29 third-country nationals, and 1 private security contractor).¹⁸¹ USAID primarily utilizes the local Iraqi staff as field monitors responsible for

providing routine reporting and frequent on-site verification of program activities.¹⁸² The 30 Iraqis currently working for USAID is double the number of Iraqis working for USAID a year ago.¹⁸³

USAID also reported that, as of September 30, 2012, the implementing partners for its ESF-funded programs employed at least 1,209 program personnel and an additional 582 security contractors, for a total of 1,791 contractor personnel. These numbers did not change from the previous quarter; however, USAID is anticipating a significant change in personnel due to the end of the CAP III program (which employed more than 700 people) and the award of three new programs this quarter.¹⁸⁴

Seven out of eight implementing-partner program personnel this quarter were Iraqis. The use of local Iraqis to execute programs in the field lessens the problems encountered by U.S. personnel—specifically, the difficulty in traveling through an increasing number of Iraqi-controlled checkpoints and the lengthy process for obtaining Iraqi visas.¹⁸⁵

Monitoring and Evaluation

In August, USAID issued a 90-day no-cost extension for its \$14.3 million **Performance Evaluation and Reporting for Results Management (PERFORM)** program.¹⁸⁶ The program, which began in October 2009, was designed to provide monitoring and evaluation services of USAID's ESF and OFDA programs in Iraq. According to USAID, PERFORM has conducted 10 evaluations of USAID programs, undertaken three sector assessments, and monitored both ESF and OFDA projects in the last three years. The PERFORM program was originally scheduled to end in August 2012, but USAID said it extended the period of performance to enable the contractor to complete activities that had already been started. As of September 30, more than \$3.7 million in funds obligated to this contract had not been expended.¹⁸⁷

In July, the USAID Office of the Inspector General (USAID OIG) issued a report on the results of its audit to determine whether PERFORM improved program management and oversight

of USAID's Iraq programs. This audit examined evaluation, monitoring, and assessment projects completed and in progress during the first two years of the PERFORM program, from October 2009 to September 2011. According to the audit, PERFORM had several weaknesses:¹⁸⁸

- USAID did not fully use PERFORM's services, instead making other arrangements, which resulted in inadequate program monitoring.
- Some statements of work (SOWs) issued for the program and some evaluation reports were technically flawed, weakening their credibility and usefulness.
- USAID did not manage the program effectively, contributing to unsatisfactory, late reports.
- USAID did not completely implement recommendations from a prior USAID OIG audit of PERFORM's predecessor program.

USAID OIG's report made five recommendations to correct deficiencies within the PERFORM program, including the recommendation that USAID establish and implement procedures to periodically test and document implementing partners' reported performance data. USAID agreed with the recommendation and stated that both USAID and PERFORM had hired additional Iraqi field monitors who will be responsible

Seven out of eight implementing-partner program personnel this quarter were Iraqis.



Iraqi field monitors for the PERFORM program conduct routine site visits. In this case, a field monitor visited a farm to determine if the owner had sufficient irrigation and fences to support the *Inma*-provided plants. (USAID photo)

for performing routine, periodic validation of implementing partner data quality.¹⁸⁹

This quarter, USAID reported that it was preparing a new performance-management program to replace the expiring PERFORM. According to USAID, the new program will use Iraqi field monitors to perform routine data quality assessments, checklists in the preparation of evaluation SOWs, and updated procedures to ensure objectivity and independence of evaluation teams.¹⁹⁰

New Programs

USAID launched three new multiyear programs at the end of September 2012, with a total contract ceiling of \$244 million. The three programs support USAID's effort to improve governance and strengthen government administrative services.¹⁹¹

The five-year, \$89.1 million **Primary Education Strengthening Project**, called *Ajyal* (Arabic for "generations") is being implemented by Creative Associates International, Inc. The goal of the program is to improve the GOI's delivery of quality primary education by improving teacher skills. This is to be accomplished by building the capacity of Teacher Training Institutes and supporting the school management capabilities of the Ministry of Education. According to USAID, school enrollment rates, particularly among girls and other disadvantaged children, have declined over the past 10 years. The program will give specific attention to girls and Iraq's most vulnerable children. USAID obligated \$19 million for the program this quarter—the largest new obligation to any of its Iraq programs.¹⁹²

The five-year, \$80 million **Harmonized Support for Agriculture Development** program, called HSAD (Arabic for "harvest"), is being implemented by the International Center for Agricultural Research in the Dry Areas (ICARDA). USAID this quarter obligated \$10 million in support of this program. According to USAID, significant inefficiencies in the agricultural sector—resulting from outdated, inefficient, or inappropriate policies—have resulted in the inability of domestic

USAID launched three new multiyear programs at the end of September 2012, with a total contract ceiling of \$244 million.



The new Primary Education Strengthening Project will focus on increasing the availability of quality primary education to females. (USAID photo)

producers to supply domestic food needs, 80% of which are met through imports. USAID stated that the Ministry of Agriculture (MoA) requested its assistance to revitalize agricultural production by resolving the major policy constraints and supporting development of efficient policies based on international best practices.¹⁹³

The goal of three-year, \$75 million **Broadening Participation through Civil Society** program is to strengthen Iraq's transition to a participatory democracy by increasing citizen input into Iraq's social and political development. This program is a successor to the CAP III program. USAID reported that it awarded this contract to one of its CAP III implementing partners, Mercy Corps, which has re-hired some staff formerly assigned to CAP III.



The Marla Ruzicka Iraqi War Victims Fund assisted an Iraqi man, paralyzed from the waist down after a Coalition bombing, to open a meat shop, which allowed him to generate income for his family. (USAID photo)

This program will continue to implement the Marla Ruzicka Iraqi War Victims Fund.¹⁹⁴

Close-out of CAP III

The **Community Action Program**, USAID's longest-running development program in Iraq, came to an end on September 30, 2012. Begun in May 2003, the three-phase, nearly \$728 million program was designed to develop the ability of Iraqi citizens to effectively address pressing community needs through organized democratic processes. From October 2008 to September 2012, the \$323 million CAP III focused on building skills and cooperation between constituencies and their local representative and executive governments. Also within CAP III was the **Marla Ruzicka Iraqi War Victims Fund**, which provided financial assistance to Iraqis harmed by Coalition forces.

CAP III was implemented by four USAID implementing partners—Mercy Corps, International Relief and Development, Cooperative Housing Foundation International, and Agricultural Cooperative Development International and Volunteers in Overseas Cooperative Assistance—each responsible for a designated geographic area of responsibility, together covering 15 of Iraq's 18 provinces.¹⁹⁵ With \$18.7 million expended this quarter, CAP III continued to be the USAID program in Iraq with the highest quarterly expenditures.¹⁹⁶

This quarter, PERFORM completed its end-of-project performance evaluation of CAP III's final year to determine if the program had met intended goals and outcomes and identify lessons learned for the implementation of future projects. The evaluation concluded that CAP III contributed to increased participation in collective community actions and enabled targeted communities to better articulate their needs and mobilize resources within and outside the community to solve common problems. The CAP III contribution most frequently mentioned by Iraqi government program participants was the CAP-provided infrastructure projects; however, some mentioned

increased engagement with local constituencies as an important result of CAP III.¹⁹⁷

PERFORM identified some issues with the Marla Ruzicka Iraqi War Victims Fund—primarily that many war victims had difficulties providing the required eligibility documentation. In addition, PERFORM determined that the local Iraqi NGOs were ill-equipped to replace CAP III's implementing partners for the continued administration of the Marla Ruzicka Iraqi War Victims Fund. PERFORM stated that the local Iraqi NGOs would need additional financial support to administer this program at the conclusion of CAP III.¹⁹⁸

The lessons learned to be applied to future USAID work with Iraqi communities and local governments were to increase and promote community engagement and participation, continue diverse training approaches, and secure Iraqi government buy-in and participation.¹⁹⁹

Recent Activities for Continuing Programs

In addition to the three new programs awarded in September, USAID has nine ongoing development programs that work toward goals set in three areas—capacity building, economic growth, and democracy and governance.²⁰⁰

Capacity Building

The four-year, \$156.7 million **Administrative Reform Project**, called *Tarabot* (Arabic for “linkages”), has three core components—civil service reform, national policy management, and administrative decentralization. This quarter, the USAID mission director signed an MOU with the Office of the Prime Minister of Iraq officially launching USAID's participation in the Iraq Solution for Regulatory and Administrative Reform (ISRAR). ISRAR's charter includes review and elimination of unnecessary regulations that hinder business and private investment. ISRAR working groups are to draw from both the GOI and the private sector to produce reform recommendations that would make it easier to start new businesses, obtain

The Community Action Program, USAID's longest-running development program in Iraq, came to an end on September 30, 2012.

construction permits, and facilitate regional and international trade. Next quarter, USAID anticipates signing more MOUs with the GOI at both the national and provincial levels to support activities under *Tarabot*.²⁰¹

In Basrah province this quarter, the Basrah Contracts Director in the Governor's Office agreed to begin using indicators, developed by *Tarabot* and based on international best practices, to measure and report on the province's performance in procurements. According to USAID, the province will now implement a procurement plan for its upcoming capital investments, in line with guidance from the Ministry of Planning.²⁰²

The five-year, \$117 million **Governance Strengthening Project** aims to increase the capacity of provincial governors and provincial and local councils to better respond to the needs of Iraqi citizens. A goal of this program is to improve budget accountability and transparency. In recent meetings with SIGIR, a GOI official praised the program's new approach to budgeting (via the zero-based budgeting system).²⁰³

This quarter, the implementing partner conducted a comprehensive assessment of the provincial budgeting process and of the usage of the Governorate Accounting and Project Information Tracking System (GAPTIS) in the 15 provinces. USAID reported that it shared the assessment's key findings and recommendation with the UNDP and the Ministry of Planning. According to USAID, the next step is for USAID and the Ministry of Planning to identify how to integrate the objectives of GAPTIS with the existing Iraq Development Management System, a bilingual Web-based application that manages the whole cycle of government and donor-funded development projects in Iraq. This system allows ministries to plan, manage, and monitor the full lifecycle of capital investment projects in an online environment.²⁰⁴

The four-year, \$74.8 million **Primary Health Care Project in Iraq** works with the Ministry of Health to strengthen primary healthcare services. This quarter, USAID reported that program staff



A USAID workshop focusing on emergency obstetrics and newborn care provided at the Erbil Maternity Hospital. (USAID photo)

conducted site visits to the Ministry of Health, the provincial Departments of Health, and 125 participating primary healthcare centers to provide on-the-job training, technical assistance, and coaching.²⁰⁵ In addition, USAID signed an MOU this quarter with the KRG's Ministries of Health and Planning to improve primary health care throughout the Kurdistan Region. USAID had previously signed an MOU with the GOI in September 2011. Thus, the program will now operate in all of Iraq's 18 provinces.²⁰⁶

The year-long, \$3.7 million **Education Survey Project**, called *Maharat* (Arabic for "skills"), works with the Ministry of Education to administer education surveys to improve the quality of primary schools and is scheduled to end in November 2012. This quarter, the implementing partner provided draft executive summaries for the completed Early Grade Reading and Mathematics Assessment surveys. Once the implementing partner completes the final reports, USAID stated it will present them to the Ministry of Education at an education policy workshop, scheduled for November. According to USAID, the baseline data established by the program on reading and math abilities of early-grade students will assist the Ministry of Education in measuring progress in the future.²⁰⁷

In recent meetings with SIGIR, a GOI official praised the program's new approach to budgeting.

Economic Growth

The five-year, \$192.5 million **Provincial Economic Growth Program**, *Tijara* (Arabic for “trade”), has been conducting activities to promote economic growth and employment in Iraq by increasing private-sector access to finance—in particular, for micro, small, and medium enterprises.²⁰⁸ About \$16 million was expended on *Tijara* this quarter, second only to CAP III in expenditures for USAID programs in Iraq.²⁰⁹

As this program approaches its January 2013 closure, USAID identified the program’s most significant accomplishments:²¹⁰

- created and supported two non-banking financial institutions, eight indigenous microfinance institutions, and eight small-business development centers throughout Iraq
- cumulatively disbursed almost \$1.17 million among almost 300,000 Iraqi people (17% women) by enhancing their access to finance and thereby creating more than 350,000 direct and indirect jobs
- assisted the GOI in preparing Iraq’s Initial Goods Offer and the Initial Services Offer to be submitted to the World Trade Organization and also provided support to top-level GOI bodies on legal and regulatory reforms, including company law, industrial licensing, import licensing,

investment law, bankruptcy law, and business closing regulations

USAID’s *Tijara* program, along with the World Bank and the United Nations Industrial Organization, supports the GOI’s efforts to develop specific reform plans for state-owned enterprises to make them more attractive commercial investment targets. This quarter, the state-owned enterprise working group within the Prime Minister’s Task Force for Economic Reform selected 30 enterprises and allocated \$65 million from the GOI budget to ministries to engage international consultants in developing the necessary reform plans.²¹¹

The five-year, \$53.3 million **Financial Development Program** focuses on the continued capacity building of Iraq’s financial sector to international standards, with an emphasis on private banks. According to USAID, the program is currently undergoing a mid-term evaluation that will inform USAID on how to improve the program’s effectiveness.²¹²

This quarter, USAID reported that the Central Bank of Iraq (CBI) announced its goal to develop infrastructure for a retail payment system in Iraq and invited concerned parties to combine efforts to achieve this goal. In support of this effort, the Financial Development Program completed a review of regulations and an “instructions” document needed to govern payment service providers, banks, and mobile network operators in the operation and use of a potential retail payment system infrastructure. The program also worked with the CBI on a request for proposal to implement this system.²¹³

The **Agribusiness Development Program**, *Inma* (Arabic for “growth”), focuses on increasing the competitiveness of Iraqi agriculture by demonstrating the potential for profitable, commercial agribusiness enterprises. This five-year, \$215.9 million program is scheduled to end in November 2012.²¹⁴

This quarter, USAID reported that the cumulative results of this five-year program included

According to USAID, the program is currently undergoing a mid-term evaluation that will inform USAID on how to improve the program’s effectiveness.



This Iraqi woman received \$550 under the *Tijara* poverty lending initiative to expand her tailoring business. (USAID photo)

\$172.6 million in direct sales by Iraqi enterprises initiated and supported by *Inma* and the employment of 15,121 people. One of *Inma*'s most significant accomplishments reported by USAID was the increase of annual fish production from 5,000 metric tons in 2006 to 80,000 metric tons in 2012. As the program concludes, USAID is focused on intensive training and development programs with the MoA staff to further strengthen Iraq's agriculture sustainability and food security.²¹⁵

Democracy and Governance

The three-year, \$35.6 million **Elections Support Project** provides technical assistance, mentoring, and training to the Independent High Electoral Commission (IHEC). This quarter, USAID reported that the program, through its implementing partner, the International Foundation for Electoral Systems (IFES), focused on planning future capacity-building activities, strategizing with counterparts, and working on the planning and development of a nationwide survey gauging public opinion and knowledge of the electoral process in Iraq, as well as a civic- and voter-education sub-grants program. In addition, the Elections Support Project continued its support for the inclusion of women at IFES-facilitated training courses. According to USAID, through mid-August 2012,

USAID signed an MOU with the GOI's Council of Representatives to launch a joint program to improve access to the Iraqi legal system for vulnerable and disadvantaged populations.



Inma livestock harvesting specialist demonstrating international meat cuts at Blann butcher shop in Dahuk, Iraq. (USAID photo)

nearly one quarter of attendees at the formal training courses were women. USAID stated that its support of gender inclusion will help to ensure the sustainability of efforts to include women in top-level positions at the IHEC.²¹⁶

To date, USAID believes IFES support to the IHEC's Public Outreach Department is the most significant development of the Elections Support Project. According to USAID, this program, through weekly meetings with IHEC officials, has strengthened the IHEC's capacity to manage affairs with key electoral stakeholders.²¹⁷

The \$62.9 million **Access to Justice Program** supports the growth of local and national institutions that provide information and legal assistance to vulnerable populations, including women, widows, orphans, and persons with disabilities.²¹⁸ According to USAID, since 2011, the Access to Justice Program has supported 38 grants to raise awareness of vulnerable populations regarding their legal rights and access to state offered services. The grantees have used various radio, TV, brochures, booklets, and workshops to provide this information.²¹⁹

This quarter, USAID signed an MOU with the GOI's Council of Representatives to launch a joint program to improve access to the Iraqi legal system for vulnerable and disadvantaged populations. In addition, USAID reported that the Access to Justice Program launched a survey to assess the knowledge of targeted vulnerable groups about their legal rights, related services offered by the state, and ways to access those services. The survey comprised 15,200 interviews in more than 76 districts in Iraq. The final survey results are scheduled to be presented in an upcoming conference with officials from the Ministries of Labor and Social Affairs, Human Rights, and Interior, as well as the Council of Ministers, and Council of Representatives. The objective of the conference is to secure GOI buy-in on ways to improve the current situation of vulnerable groups in Iraq.²²⁰



Access to Justice Project conducting survey interviews with Iraq's vulnerable populations. (USAID photo)

Foreign Disaster Assistance

Last quarter, USAID reported that OFDA's three active FY 2011-funded programs in Iraq—two humanitarian assistance programs and a monitoring and evaluation program—were scheduled to conclude by September 30, 2012. This quarter, USAID stated the three OFDA programs were in various stages of its standard 90-day closeout process.²²¹

According to USAID, even as the programs conclude, OFDA's implementing partners are still active in Iraq. For example, one implementing partner this quarter held a workshop on advanced information management for members of Governorate Emergency Cells (GECs)—governmental coordination structures established to deal with emergency situations, primarily targeting refugee and internally displaced populations. USAID reported this workshop

helped increase the capacities of GEC members to collect, process, analyze, and report information.²²²

Since 2003, OFDA has contributed more than \$450 million toward humanitarian assistance programs in Iraq; of this amount, USAID reported that OFDA expended \$261 million in International Disaster Assistance funds from FY 2007 through FY 2012. According to USAID, OFDA did not commit any FY 2012 funding toward new or existing Iraq programs, but did commit more than \$133,000 in administrative costs for the year, as of September 30, 2012. Even though OFDA does not have staff presence in Iraq and its remaining active programs are concluding, USAID maintains that OFDA has the ability to respond rapidly to potential emergencies in Iraq through established working relationships with relief agencies on the ground.²²³

OFDA did not commit any FY 2012 funding toward new or existing Iraq programs.

Other Civilian Agencies

Table 3.6 highlights activities conducted this quarter by the many other U.S. civilian agencies working in Iraq, including:

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

TABLE 3.6
STAFF LEVELS AND SELECTED ACTIVITIES REPORTED BY OTHER CIVILIAN AGENCIES, 7/1/2012–9/30/2012

AGENCY	ACTIVITIES THIS QUARTER
DEPARTMENT OF JUSTICE (DoJ) STAFF: 9	OPDAT continued advising the GOI on combating money laundering and terrorist financing. ICITAP trained and mentored COI investigators with an emphasis on better case preparation and compliance with the UNCAC until the program concluded on September 30, 2012. An ICITAP advisor facilitated specialized training from outside sources to enhance the investigative capacity of the COI. ICITAP training functions transitioned to INL-funded UNODC, UNDP, and OPDAT programs. In preparation for the program's end, ICITAP advisors secured partnerships with U.S. agencies and the international community to meet COI's specialized training needs. ICITAP supported the development of COI's Foreign Affairs Office to serve as a single point of contact to seek new training opportunities.
DEPARTMENT OF HOMELAND SECURITY (DHS) STAFF: 15	U.S. Customs and Border Protection (CBP) established strategic partnerships with the GOI and KRG Ministries of Interior and reintroduced sustainable training curricula at the Baghdad International Airport (BIAP) and Erbil International Airport. CBP held four training sessions at Baghdad International Airport, instructing 19 Iraqi civil customs officers in basic customs operations. This quarter, 33 Iraqi civil customs officers completed CBP's Leahy vetting process, and another 40 officers await Leahy vetting and CBP training. The Leahy amendment to the Foreign Assistance Act of 1961 requires DoS to vet its assistance to foreign security forces to ensure that recipients have not committed gross human rights abuses. CBP conducted four training sessions in the Kurdistan Region, training 69 Passport Police officers and KRG MOI officials. As of September 30, 2012, 89 officers had completed the Leahy vetting process, and an additional 138 were pending vetting.
DEPARTMENT OF THE TREASURY STAFF: 8	An advisor from the OTA now sits on a task force created by Prime Minister al-Maliki in September to combat money laundering and the financing of terrorism. The initiative draws on the COI, Iraqi Federal Investigative Information Agency, MOI Intelligence and Economic Crimes, Ministry of Foreign Affairs, Ministry of Finance (Customs), and Money Laundering and Reporting Office. OTA's Revenue Team has been advocating the implementation of self-assessment (taxpayer self-filing), encouraging key members of the Council of Ministers to endorse it since 2010. In August, the Committee of Economic Affairs in the Council of Ministers issued Order Number 479, which mandated the adoption of self-assessment by the General Commission of Taxes for large taxpayers.
DEPARTMENT OF TRANSPORTATION (DoT) STAFF: 3	DoT transferred to Iraqi ownership and control a computer-based train control project, which had been completed in 2011. DoT's aviation advisor assisted the Iraqi Civil Aviation Authority for compliance with international standards as prescribed by the International Civil Aviation Organization. The maritime/ports advisor provided training to its Iraqi counterparts to improve operational efficiency.
DEPARTMENT OF COMMERCE STAFF: 4	Commerce reported that a U.S. security equipment company signed a distribution agreement with an Iraqi company based on information provided by the U.S. Commercial Service under its International Partner Search service. Also, a U.S. small-and-medium enterprise, new-to-market industrial case company made a direct sale to an Iraqi company as a result of "B2B matchmaking" by the U.S. Commercial Service. In addition, Commerce advocated for U.S. companies bidding on GOI tenders.
DEPARTMENT OF AGRICULTURE (USDA) STAFF: 7	USDA continued to implement capacity-building programs in animal health, water and soil resources, and agricultural extension and education. USDA implemented two U.S.-based Cochran training programs—Meat and Poultry Inspection and Crop Residue Management—as well as two Borlaug Fellowships in soil analysis. The Foreign Agriculture Service (FAS) ended U.S. government employee and U.S. citizen contractor presence in September 2012, reorganizing activities under FAS/Cairo.
EXPORT-IMPORT BANK (Ex-Im) STAFF: 0	The Ex-Im Bank reasserted that, despite potential demand for procurement of U.S. goods and services by Iraqi public and private sector entities, the lack of viable financing structures will continue to constrain expansion of Ex-Im Bank activity in the market over the short to medium term. This quarter, Ex-Im held discussions with Department of Commerce representatives to identify channels to originate smaller private- and public-sector transactions that could be structured for financing without sovereign guarantees. Ex-Im officials also met with U.S. project developers on glass production, housing, and general construction.
OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC) STAFF: 0	OPIC reported no new loans or guaranties to U.S. businesses this quarter. In 2010, OPIC provided \$90 million for the Iraqi limited liability company al-Tamweel al-Sareé Limited to support the expansion of its small-and-medium-enterprise and microfinance portfolios in Iraq and extend the work of the U.S.-based Cooperative Housing Foundation's Access to Credit Services Initiative in Iraq. This quarter, OPIC reduced the size of the loan by \$25 million. As of September 30, 2012, OPIC has not dispersed any funding in support of this project.

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

Sources: DoJ, response to SIGIR data call, 10/1/2012; DHS, responses to SIGIR data call, 10/1/2012 and 10/7/2012; Treasury, responses to SIGIR data call, 10/1/2012 and 10/16/2012; DoT, response to SIGIR data call, 10/1/2012; Commerce, responses to SIGIR data call, 10/1/2012 and 10/7/2012; USDA, response to SIGIR data call, 10/1/2012; Export-Import Bank, response to SIGIR data call, 9/5/2012; OPIC, response to SIGIR data call, 10/2/2012, and information provided to SIGIR, 10/5/2012; INL, response to SIGIR data call 10/1/2012.

DEFENSE PROGRAMS

Office of Security Cooperation-Iraq

OSC-I just completed its first year as the hub for managing a wide range of security assistance and security cooperation activities. At the end of the quarter, OSC-I was managing 172 cases funded by the GOI through the Foreign Military Sales (FMS) program. Twenty additional cases have been requested by the GOI and have received U.S. approval. Another 74 GOI-requested cases are in various stages of response by the U.S. government. The value of current and proposed cases now totals \$19.1 billion.²²⁴

OSC-I currently manages five sites in Iraq under COM authority. These sites include facilities for processing FMS cases, sustainment and support centers, live-fire ranges, and training centers.²²⁵ Three of the sites are undergoing U.S.-funded facility upgrades to correct security deficiencies inherited when OSC-I assumed control on October 1, 2011, but the upgrades have been beset by delays. This quarter, the scheduled completion dates for overhead covers at Besmaya and Tikrit were pushed out six months, to April 2014,²²⁶ and completion of physical security facilities at Umm Qasr slipped three months.²²⁷ Because these upgrades might not be completed until after the OSC-I sites are transitioned to GOI control, OSC-I “is evaluating whether these improvements are prudent given the timeline for normalization of the sites.”²²⁸

A recently announced project at another OSC-I operational site—a \$2.7 million project at OSC-I’s logistics and sustainment center in Taji—may serve as the prototype for future OSC-I operations on a GOI-managed base where a continuing presence is deemed necessary. This recently started project will reduce OSC-I’s footprint at Taji and is intended to make living conditions safer.²²⁹

This quarter, OSC-I closed its training operations in Kirkuk and relocated to Tikrit. Activities moved included flight training, as well as maintenance training activities and contractor logistics support for aircraft sustainment.²³⁰ The remaining five OSC-I sites are reportedly to be transferred to the GOI during 2013,²³¹ although DoD has noted that a schedule for the transition is “pre-decisional” and that “OSC-I cannot anticipate what will be decided at much higher levels of government.”²³² The OSC-I Chief, however, anticipates a “glide down” reduction of at least a third of U.S. military personnel in the coming two years, but an intra-agency debate about the future of the office has suggested a staff reduction by as much as 75% in FY 2014.²³³ The fluidity of the status of OSC-I, including its funding status pursuant to the continuing appropriations resolution, suggests that the transition process may occur faster and more steeply than indicated in earlier planning scenarios.

An Evolving FMS Business Model

After the transition of U.S. operating sites to the GOI, OSC-I anticipates that it will support its security assistance activities either through the Embassy’s Operations and Maintenance Support Services and BLISS contracts (if a permanent presence is required) or through one-day trip visits using a hub-and-spoke model (if a permanent presence is not required).²³⁴

According to OSC-I, once sites are transferred to the GOI, contractor requirements and the costs associated with staffing cases and delivering security assistance equipment will rise because the U.S. government will no longer be bearing life-support and security expenses.²³⁵ For planning purposes, the Defense Security Cooperation Agency (DSCA) has estimated that the annual cost per contractor for life support and security will be \$250,000—costs

The fluidity of the status of OSC-I suggests that the transition process may occur faster and more steeply than indicated in earlier planning scenarios.

that will need to be built into FMS letters of offer and acceptance (LOAs).²³⁶

The reduced scope of OSC-I operations and the transition of operational sites to GOI control will change the way that FMS cases—both current and future—are managed. From the contractor perspective, OSC-I appears to be transitioning out of the business of contractor support, and the speed and scope of change in operations for private companies may be considerable.²³⁷

- **Cost management of current cases.** The majority of current cases, including several expansive ones like the delivery of 18 F-16s, do not have separate funding for contractor life support or security costs that reflect OSC-I's transition. Cases whose delivery schedules mature as OSC-I minimizes or eliminates its operational footprint are going to face challenges that are currently unfunded and have yet to be addressed.²³⁸ OSC-I notes that it will support existing contracts until FMS cases are complete “or have been modified to support the transition strategy.”²³⁹
- **Future case costs.** Cases in development will need to include more realistic life-support and security-related costs that are tailored to the specific cases. Whether these new costs are prohibitive or reduce the cost-competitiveness of the FMS system remains to be seen, but DSCA's flat rate of \$250,000 per person per annum (based on current security assistance trainer costs) does not appear to take into account costs outside of the current U.S. government-funded security umbrella. These costs may be materially different when they are managed directly by contractors (as opposed to the U.S. government) and will vary widely based on where in Iraq the services are being executed and the duration of the services being provided. Without a task-specific rate for life support and security, these estimates built into future cases may prove to be artificially low (or, in some instances, possibly too high).²⁴⁰
- **Exposure to GOI incorporation, import, and revenue taxes.** Although not directly related to the transition process, OSC-I's movement away

from contractor support will likely accelerate the removal of operating waivers that currently benefit FMS contractors. As OSC-I is “normalized” (reducing the U.S. government presence and direct management), navigating uncertain Iraqi business processes and limited infrastructure (such as the absence of bonded freight forwarders) will fall directly to contractors. Planning for these changes (and their possible disruptions to FMS cases) is seen as significant.²⁴¹ In a recent example of this, the GOI's interpretation of the customs levy waiver on June 30, 2012, led to all inbound FMS shipments being held up and resulted in unplanned storage costs. An early September 2012 Council of Ministers declaration that GOI ministries (and by inference, FMS customers) were exempt from the customs levy appears to have provided administrative relief. But OSC-I reported that, as of late September, there was little movement of FMS cargo.²⁴²

Engagements with GOI Officials

Under the FMS program, OSC-I manages both the obligation of U.S. funds to support the GOI's security capacity and GOI purchases of military equipment and services. Concomitant to these program responsibilities, OSC-I has assumed an even broader responsibility of managing a wide range of relationships with the GOI—from facilitating OSC-I contractor work authorizations and visas²⁴³ to tracking and managing security-contractor incidents.²⁴⁴ This quarter, the OSC-I Chief reported that these wide-ranging responsibilities included negotiations with GOI officials to get contractors operating a convoy out of a jail in Diyala province.²⁴⁵

OSC-I's “Iraqi Leader Engagements” are the most frequent form of interaction with GOI officials and are regularly used in the development of FMS cases. These engagements may begin as early as the process for developing a GOI Letter of Request (LOR) and continue through the delivery and execution of an FMS case. OSC-I's Strategic Advisor Group provides military-to-military liaison to

Whether these new costs are prohibitive or reduce the cost-competitiveness of the FMS system remains to be seen.

build partner capacity in the Ministry of Defense (MOD), promote military education, and encourage and coordinate regional engagements and security cooperation.²⁴⁶

Recent security cooperation activities included a joint training exercise with U.S. and Iraqi Special Forces.²⁴⁷ Other directed in-country training and assistance activities included U.S. Navy sailors training with the Iraqi Navy and U.S. military advisors providing direct support (through the MOD) to the Iraqi Army's ground force commander and the Iraqi Air Force's commander.²⁴⁸

Regional Iraqi Security Forces (ISF) training activities facilitated by OSC-I this quarter included:²⁴⁹

- an international mine countermeasures exercise in Bahrain
- a search-and-rescue and search-and-seizure exercise in Kuwait
- F-16 mechanics maintenance training at the Royal Jordanian Air Academy
- professional military education, comprising M1A1 and artillery advanced gunner courses, an artillery leaders course, battle-staff training, doctrine development, artillery and armor school curriculum development, cadre and instructor training, and institutional advising and training for the Iraqi Army at Iraqi and U.S. institutions

FMS Training Activities

The largest ongoing FMS training activities coordinated by OSC-I, as of September 30, 2012, were the War Fighter Focus (WFF) program and two aviation pilot and maintainer programs, valued collectively at \$279.3 million (including unexercised options):²⁵⁰

- More than 4,400 Iraqi Army personnel received WFF training this quarter in Erbil, Taji, and Besmaya.
- 13 prospective F-16 pilots are receiving training in the United States, and 359 Iraqi Air Force maintainers began training in Jordan.
- 7 prospective C-130 pilots, 16 maintainers, and 1 loadmaster are training at U.S. locations.



Iraqi student pilots prepare their T-6 Texan II training aircraft for takeoff at al-Sahra Airfield in Tikrit. (DVIDS photo)

Iraq Security Forces Fund

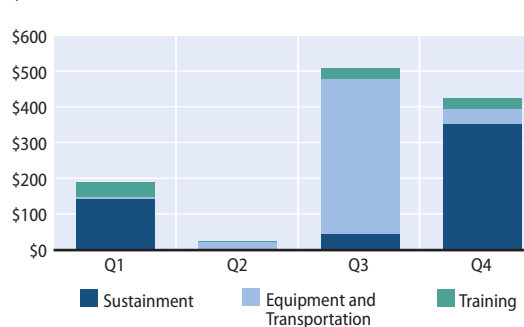
As of September 30, 2012, the final tranche of appropriated ISFF funds expired for obligation to new projects.²⁵¹ OSC-I obligated 99.2% of FY 2011 ISFF funding by the end of the fiscal year. The \$9.0 million that was unobligated was the result of funds returned in September from implementing agencies or contracts as unexecutable.²⁵²

According to the Office of the Secretary of Defense (Comptroller), \$425.7 million (37%) of the FY 2011 ISFF was obligated this quarter. Illustrating the time constraints that OSC-I had in managing the final ISFF appropriation, 80% (or \$929.0 million) of the FY 2011 ISFF was obligated in the final two quarters.²⁵³ For quarterly

OSC-I obligated 99.2% of FY 2011 ISFF funding by the end of the fiscal year.

FIGURE 3.5

OBLIGATIONS OF FY 2011 ISFF, BY QUARTER AND SUB-ACTIVITY GROUP, 10/1/2011–9/30/2012



Sources: OUSD(C), responses to SIGIR data calls, 1/6/2012, 4/2/2012, 7/12/2012, and 10/2/2012.

TABLE 3.7
FINAL FY 2011 ISFF SPEND PLAN VS. OBLIGATIONS,
BY SUB-ACTIVITY GROUP, AS OF 9/30/2012
\$ Millions

	FINAL PLAN	OBLIGATIONS	% DIFFERENCE
Sustainment	554.7	557.6	0.5%
Equipment and Transportation	485.7	480.8	-1.0%
Training	113.5	107.0	-5.8%
Related Activities	1.0	0.6	-41.0%
Total	1,155.0	1,146.0	-0.8%

Note: Obligations do not reflect any adjustments made during FY 2013 final report certification process.

Sources: OSC-I, "Iraq Security Forces Fund (ISFF), FY 2011 Financial Activity Plan (Spend Plan) P.L. 112-10," 6/11/2012; OUSD(C), response to SIGIR data call, 10/2/2012.

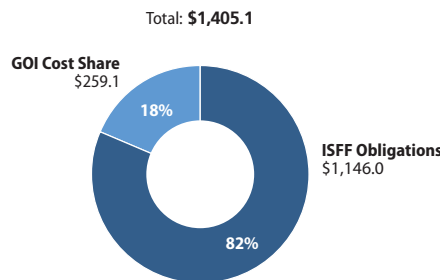
74 prospective FMS cases valued at \$10.2 billion have been requested or are in the process of being requested by the GOI.

obligations of the FY 2011 ISFF, by sub-activity group, see Figure 3.5.

OSC-I assumed responsibility for managing the ISFF in January 2012, and in June 2012 developed a spend plan for unobligated amounts of \$1.155 billion.²⁵⁴ Of that total, the obligation of \$155 million had been contingent on a Secretary of Defense certification to the Congress that the GOI had demonstrated an institutional capability to manage the logistics, maintenance, and sustainment of U.S.-purchased equipment. The Secretary's certification of July 17, 2012, cited myriad cases and institutionalized processes as examples of the GOI's commitments to the processes that Congress had identified.²⁵⁵

As Table 3.7 shows, slightly more was obligated for sustainment than planned, and obligations for

FIGURE 3.6
GOI COST SHARE OF FY 2011 ISFF-FUNDED CASES,
AS OF 9/28/2012
\$ Millions



Note: Numbers affected by rounding.

Source: OSC-I, response to SIGIR data call, 10/2/2012.

training were nearly 6% below plan. For the GOI cost share of FY 2011 ISFF-funded activities, see Figure 3.6.

Status of FMS Cases

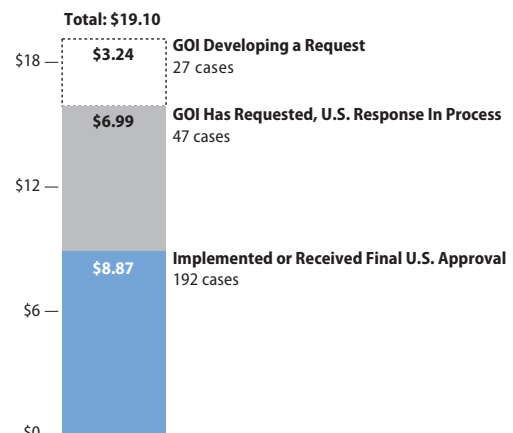
Last quarter, OSC-I reported almost \$12.0 billion in GOI and U.S. government (ISFF) commitments to FMS cases, with \$2.6 billion delivered.²⁵⁶ This quarter, DoD was unable to provide comparable case information through the end of the quarter.²⁵⁷

SIGIR analysis of OSC-I's current case-management notes (where cases are almost exclusively GOI funded) indicates that 192 FMS cases valued at almost \$8.9 billion were either implemented or had received final U.S. approval as of September 30, 2012. An additional 74 prospective FMS cases valued at \$10.2 billion (notably, including the second tranche of F-16s) have been requested or are in the process of being requested by the GOI (see Figure 3.7).²⁵⁸

Deliveries for Ongoing Cases

The FMS program has several large cases in various states of delivery, with activity planned for multiple

FIGURE 3.7
CURRENT AND PROSPECTIVE FMS CASES,
AS OF 9/30/2012
\$ Billions



Note: Numbers affected by rounding.

Source: OSC-I response to SIGIR data call, 10/2/2012.



In August, the Iraqi Army took possession of the last of 140 M1A1 tanks purchased from the United States for \$815 million. (U.S. Army photo)



The Iraqi Air Force intends to use the C-130J aircraft for intra-theater support for its troops and for humanitarian relief operations. (Lockheed Martin photo)

years. These cases will supply spare parts, munitions, training, and contractor support logistics. This quarter, OSC-I provided the following information on three of its most prominent cases:

- **M1A1 Tanks.** On August 27, the Iraqi Army took delivery at Besmaya Combat Training Center of the final nine M1A1 tanks (of 140 tanks purchased by the GOI for a total of \$815 million through the FMS program). The Iraqi Army showcased its armor and infantry battlefield coordination in a live-fire exercise with the tanks on August 29.²⁵⁹ OSC-I is currently working to prepare an LOA for a \$200 million case that would supply the GOI with M1A1 simulators, and it anticipates a forthcoming GOI request for M1A1 sustainment contractor logistics support.²⁶⁰
- **C-130J Program.** The test flight of the first of six C-130J Super Hercules for the Iraqi Air Force was completed in early September 2012. The Iraqi Air Force intends to use the C-130J for intratheater support of its troops and humanitarian relief operations. These transport aircraft will provide Iraq interoperability with U.S. and NATO forces. The first C-130J for Iraq is scheduled for delivery later this year.²⁶¹ Support equipment for the aircraft is being assembled and prepared for a move to Iraq pending the completion of warehouses that are under construction.²⁶² To support continuity in the C-130J

program, the GOI has submitted an LOR for flight simulators.²⁶³

- **F-16 Aircraft.** The current case involving 18 F-16s provides for the purchase of aircraft, ancillary systems, training, sustainment, and logistics. Delivery of the aircraft is being preceded by training and base preparations. As of the end of September, 13 pilots were training in the United States, with an additional 14 expected to begin training next quarter, with a goal of 27 trained pilots when the aircraft are delivered to Iraq by March 2016. More than 350 aircraft maintainers are also undergoing training. A recent amendment to the F-16 case provides for the evaluation of alternative basing sites for the delivered aircraft, and in late September the GOI changed its base of choice for the initial delivery of the F-16 from al-Asad to Balad.²⁶⁴ A second case involving the purchase of 18 additional F-16s is proceeding, and an LOA is expected to be submitted to the GOI next quarter.²⁶⁵

Letters of Offer and Acceptance Developed This Quarter

Cases for which LOAs were developed by the U.S. government this quarter included a variety of equipment purchases and training activities:²⁶⁶

- **Radars for Tikrit Air Base.** The \$60 million case would provide upgrades to the Tikrit airfield to support the near-term basing of multiple aircraft. Equipment would include an airport

The first C-130J for Iraq is scheduled for delivery later this year.

GOI officials have become frustrated that the \$850 million in FMF funding allocated by DoS for FY 2012 has not yet been released.

surveillance radar, a radar simulator, an instrument landing system, an airfield lighting system, spare and repair parts, and support equipment. Personnel and equipment training would be included.²⁶⁷

- **Engineering and training services at Umm Qasr.** The \$38 million, three-year case would include repair and maintenance training for various classes of ships and patrol boats supporting Iraqi naval security.²⁶⁸
- **Upgrades to Warsaw Pact helicopters.** The \$15 million case would upgrade the communications and missile defenses of Mi-17 and Mi-8 helicopters. DSCA reported that complementary Russian contractor logistics support for the aircraft is anticipated.²⁶⁹
- **Firefinder radars.** The estimated \$428 million case would provide two variants of the Firefinder mobile radar system, associated data systems, spare parts and repair equipment, and training. This case is intended to significantly reduce the vulnerability of the ISF to indirect-fire attacks and provide it with the information to respond to such attacks.²⁷⁰

GOI Letters of Request Issued This Quarter

This quarter, the GOI submitted LORs for several potential cases, including:²⁷¹

- **Chemical, biological, radiological, and nuclear vehicles and decontamination equipment**—30 Stryker vehicles (estimated at \$25 million) equipped for chemical, biological, radiological, and nuclear uses
- **M1A1 tank basic ammunition**—\$40 million worth of 120mm ammunition

Foreign Military Financing Program

Acting as the DSCA's agent in Iraq, OSC-I is charged with administering Foreign Military Financing (FMF) grants (and potentially loans) to help Iraq purchase U.S.-produced weapons, defense equipment, defense services, and military training. As the security situation in Iraq worsened and the window of availability for the ISFF closed, OSC-I

told SIGIR that the GOI's interest in FMS "skyrocketed."²⁷² The surge in GOI LORs over the past two quarters—which has exceeded available ISFF—is indicative of the prospective use of the FMF.

According to OSC-I, GOI officials have become frustrated that the \$850 million in FMF funding allocated by DoS for FY 2012 has not yet been released in response to the surge in GOI case requests. Specifically, OSC-I has noted that the unavailability of FMF may be affecting the logistics support for several Iraqi Air Force platforms.²⁷³ Moreover, it estimates that LOAs for a wide variety of Air Force, Army, and Navy cases exceed the amount made available for the FMF in FY 2012.²⁷⁴

The cumulative value of LORs under consideration by the GOI for possible request to apply for FY 2013 FMF exceeds the Administration's \$911 million FY 2013 FMF request for Iraq.²⁷⁵ Given the GOI's efforts to address its security situation—and the lag in the availability of FMF for use to equip, sustain, and train the ISF—OSC-I believes that the U.S. security assistance programs are not meeting GOI expectations and needs.²⁷⁶

U.S. Army Corps of Engineers

As of September 30, 2012, USACE was managing 30 ongoing projects in Iraq with a total contract value of \$309.1 million—17 projects for OSC-I (\$265.7 million), and 13 for DoS (\$43.4 million). USACE's Iraq Area Office was staffed by 8 U.S. government employees—2 military and 6 civilians—down from 10 at the end of last quarter. One civilian employee was still working in the Tikrit Project Office, but USACE reported that the Tikrit location may be closed by the end of this calendar year and certainly will be closed by April 2014, when USACE's largest ongoing project—which includes the installation of protective overhead covers at the former Camp Speicher in Tikrit—is now expected to be completed. Almost all on-site construction management support for USACE projects is provided by Iraqis supplied through USACE's

U.S.-FUNDED PROGRAMS IN IRAQ

TABLE 3.8
ONGOING USACE PROJECTS, AS OF 9/30/2012
\$ Millions

CUSTOMER AGENCY	FUNDING SOURCE	PROJECT	PROVINCE	CONTRACT AWARD DATE	SCHEDULED COMPLETION DATE	CONTRACT AMOUNT	AMOUNT PAID	UNEXPENDED CONTRACT AMOUNT
DoS	ESF	Missan Surgical Hospital	Missan	9/20/2007	12/28/2012	13.2	12.9	0.3
		Wazeriya National Training Center	Baghdad	11/17/2010	10/1/2012	8.0	7.9	–
		Falluja Sewer System House Connections & T1	Anbar	3/27/2010	5/31/2013	7.6	4.7	2.9
		Commission al-Musayab Units 9 & 10	Babylon	6/2/2010	12/31/2012	4.6	–	4.6
		Install Equipment for Basrah Children's Hospital (BCH)	Basrah	6/18/2011	11/20/2012	2.1	1.8	0.4
		Electrical Transmission Study & Master Plan	Multiple	4/13/2012	6/30/2013	1.9	0.2	1.6
		Rusafa Courthouse Inspection & Repair	Baghdad	7/31/2012	3/31/2013	1.4	–	1.4
		Procure Additional Generation Spare Parts	Multiple	4/13/2012	10/11/2012	1.2	–	1.2
		Facility Management at BCH	Basrah	11/18/2011	1/23/2013	1.1	0.6	0.5
		Procure Electrical Coil Winding Machines	Multiple	7/26/2012	11/23/2012	0.7	–	0.7
		PHC Repairs in Central Iraq	Multiple	5/2/2011	8/30/2012	0.5	0.5	–
		Falluja WWTP O&M and Training, Phase II	Anbar	1/6/2012	1/8/2013	0.5	0.3	0.2
		Subtotal						42.7
INCLE		SC/Higher Judicial Court Generators	Baghdad	7/31/2012	12/13/2012	0.7	–	0.7
		Subtotal					0.7	–
DoS Total						43.4	28.9	14.5

Continued on the next page

contract with Versar. At the end of September, 36 Iraqis were helping USACE oversee its projects.²⁷⁷

Ongoing Projects

Approximately half of USACE's ongoing projects, both in terms of number and dollar value, were FMS cases funded by the GOI. As shown in Table 3.8, the two largest FMS projects were for the construction of 100 kilometers of roads along the Iraq-Iran border in Basrah. These projects were originally scheduled for completion in May 2012, but USACE now expects them to be completed in the first two months of 2013. USACE also reported that the contract for one of the ongoing FMS projects—the design and construction of new barracks and other facilities at an intelligence and



The \$18.6 million project to build the Directorate of Counter-Terrorism is the only ongoing FMS project managed by USACE that is jointly funded by the GOI and the U.S. government. (USACE photo)

CUSTOMER AGENCY	FUNDING SOURCE	PROJECT	PROVINCE	CONTRACT AWARD DATE	SCHEDULED COMPLETION DATE	CONTRACT AMOUNT	AMOUNT PAID	UNEXPENDED CONTRACT AMOUNT
OSC-I	FMS	Border Road Segment 2 Section B-45KM	Basrah	9/29/2010	2/10/2013	33.6	15.4	18.2
		Border Road Segment 2 Section A-50KM	Basrah	9/24/2010	1/30/2013	31.6	15.6	16.0
		Military Training Compound	Baghdad	2/28/2012	4/22/2014	23.8	1.5	22.4
		Directorate of Counter-Terrorism	Baghdad	9/28/2009	6/1/2013	18.6	11.5	7.1
		GAK D-B 2 HAWK/VBC	Baghdad	11/10/2011	4/30/2013	14.0	0.6	13.4
		Hawk Base HQ & ECP	Baghdad	12/6/2011	9/1/2013	7.8	0.5	7.2
		7th Div Enhancements al-Nukhaybe	Anbar	11/1/2010	11/2/2012	6.4	5.4	1.0
		7th Div Enhancements, H3	Anbar	11/1/2010	11/10/2012	5.2	4.5	0.6
		Intel & Mil Sec Sch (IMSS), Phase II	Baghdad	1/13/2012	8/2/2013	4.2	–	4.2
		7th Div Enhancements, Akashat	Anbar	11/2/2010	10/31/2012	4.1	3.5	0.6
		7th Div Enhancements Qasr Amij	Anbar	11/3/2010	9/23/2012	4.0	3.6	0.4
		Design/Build DFAC Hawk Base	Baghdad	1/10/2011	10/15/2012	3.7	4.2	-0.5
		GAK D-B-1 Tikrit Base	Salah Al-Din	11/10/2011	11/3/2012	1.2	0.6	0.6
		C-130J Infrastructure PKG 1	Baghdad	6/27/2012	8/22/2013	1.0	–	1.0
Subtotal						159.2	67.0	92.1
ISFF		Federal Police Brigade Sustainment Complex	Baghdad	9/27/2008	10/15/2012	48.0	47.6	0.4
		Baghdad Police College, Phase II	Baghdad	7/10/2010	9/3/2012	3.5	2.9	0.5
		Subtotal						51.5
OMA		Overhead Cover Re-Award	Multiple	2/10/2012	4/26/2014	55.0	–	55.0
		Subtotal						55.0
OSC-I Total						265.7	117.6	148.1
All Projects Total						309.1	146.5	162.6

Note: Data not audited. Numbers affected by rounding.

Source: USACE, response to SIGIR data call, 10/1/2012.

OSC-I reported that it is reviewing the project to determine whether these investments are prudent given that the sites are slated to be turned over to the GOI by the end of September 2013.

military school in Taji—was terminated for default on September 14.²⁷⁸

With a value of \$55 million, the contract for overhead covers was USACE’s largest ongoing effort in Iraq. The original scope of work encompassed three locations—the Embassy Military Attaché and Security Assistance Annex (formerly called Union III) and Besmaya in Baghdad, in addition to Camp Speicher—but the annex is no longer included in the project. In July, USACE reported that it expected the work to be completed by October 2013, but the schedule has now been

extended by six months, and OSC-I reported in October that it is reviewing the project to determine whether these investments are prudent given that the sites are slated to be turned over to the GOI by the end of September 2013. The project is to be paid for with Operation and Maintenance, Army (OMA), funds.²⁷⁹

Construction of the \$48.0 million ISFF-funded Federal Police Sustainment Brigade complex in Baghdad continued to be the second-largest ongoing project. Once again, the schedule slipped. In April, USACE reported that it expected the project

to be completed in April; in July, the completion date was moved to the end of August; and on October 1, USACE reported that the project was scheduled to be completed on October 15. According to USACE, delays were caused by the contractor not providing sufficient funds for work on the contract, including not paying its subcontractors. USACE also reported that the GOI had not taken possession of the site, but would provide security to protect equipment and other U.S. assets until all facilities were completed.²⁸⁰

Of the 13 ongoing projects that USACE was managing for DoS, 12 were funded by the ESF. Work on the largest of those projects, construction of the Missan Surgical Hospital, continued to be slow, but USACE reported that it still expected to see completion by the end of 2012. USACE said that it issued a “letter of concern” to the contractor on September 10, citing lack of progress and minimal enforcement of safety and quality requirements, and that the contractor subsequently improved its performance.²⁸¹

USACE expected the second-largest ESF-funded project, construction of the Wazeriya National Training Center, to be completed in October, 13 months after the originally scheduled completion date. Work on the Falluja Wastewater Treatment System, being carried out under a grant to the Ministry of Municipalities and Public Works, remained on schedule with a completion date in May 2013.²⁸²

Completed Projects

USACE reported that it completed two projects this quarter. The first was a \$4.9 million ISFF-funded project to provide a fuel-storage facility and test lab at al-Muthana Air Base in Baghdad. The second was an ESF-funded effort to repair deficiencies at 37 primary healthcare centers that were built by the United States in southern Iraq. In July, ISPO reported that this project had an expected cost of \$450,000, but USACE reported the final cost to be \$1.3 million for the completion of repairs and testing at 14 clinics.²⁸³



Construction of the ESF-funded Wazeriya National Training Center in Baghdad began in January 2011 and was expected to be completed in October 2012. (USACE photo)

Upcoming Projects

At the end of the quarter, USACE had 14 projects in the pre-award stage. Together, they were expected to cost almost \$330 million. Five FMS projects accounted for more than 95% of those estimated costs, with the largest being a \$225 million effort to provide infrastructure for the F-16 aircraft being purchased by the GOI. The F-16 infrastructure project had been delayed pending the GOI’s selection of the home base for the F-16s, but that obstacle was removed in late September when the GOI settled on Balad Air Base in Salah Al-Din province. The second-largest project in the pre-award stage is a \$73.5 million project to design and build a new headquarters complex for the Iraqi Navy at al-Zubair. According to USACE, the MOD has provided a letter of request for this project, but the GOI has not yet signed a letter of offer and acceptance.²⁸⁴

Also awaiting contract award are four ESF-funded projects that together are expected to cost \$9.9 million. Three of them, collectively valued at more than \$9.1 million, are for the purchase, installation, operation, maintenance, and training on the use of advanced medical equipment at Basrah Children’s Hospital. The other is for the procurement of spare parts for combustion-turbine generators previously installed in Iraqi power plants using U.S. government funds.²⁸⁵ ♦

The F-16 infrastructure project had been delayed pending the GOI’s selection of the home base for the F-16s.

DEVELOPMENTS IN IRAQ

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SECTION

4

GOVERNANCE

Prime Minister Nuri al-Maliki's government this quarter wrestled with unresolved domestic challenges and a deteriorating environment on the country's external borders. At home, mistrust dogged the ruling coalition amid the continued failure to fulfill political compromises that enabled the Prime Minister to retain power following the March 2010 national election; public services, including electricity, remained sporadic; and the Government of Iraq (GOI) continued to grapple with its current abundance of oil riches—still trying to reach agreement on a package of hydrocarbon laws and, at the same time, find ways to develop the potentially job-rich non-oil sectors. Externally, intensified fighting in Syria sent new waves of refugees into Iraq, while Turkey's diplomatic overtures to the Kurdistan Regional Government (KRG) strained GOI ties with one of the country's leading trading partners.

Political Reconciliation Negotiations

GOI-KRG Dispute

Political activity during the quarter played out under the shadow of heightened tensions between the GOI and KRG. Amid a long-standing dispute over the border that separates the Kurdistan Region from the rest of Iraq, the two engaged in an increasingly bitter disagreement over the question of who controls the Region's crude oil wealth. The two also differ in their priorities as they respond to the uprising in neighboring Syria, with the GOI calling for a negotiated settlement and the Kurds backing their Syrian Kurdish brethren's efforts to take advantage of a weakened regime in Damascus to achieve a degree of autonomy. In late July, Iraqi Army and KRG *Peshmerga* forces engaged in a

brief military standoff as both governments rushed troops to Iraq's northern border.²⁸⁶

The oil dispute had simmered since April, when the KRG halted crude oil exports after complaining that Baghdad was months behind in its reimbursement of oil-field development costs. It escalated when Baghdad threatened to retaliate by cutting billions of dollars from the KRG's budget allocation. KRG President Massoud Barzani countered by describing any cut of federal funds as a declaration of war.²⁸⁷

Two other developments increased the stakes for the GOI and appeared to strengthen the KRG's position in the dispute. First, in May, direct Turkish diplomatic contact with the KRG culminated in an agreement to build a new pipeline that would carry oil from the Kurdistan Region on a route directly to Mediterranean ports in Turkey, avoiding any Iraqi territory outside the Region. Then in July and August, three major international oil companies—Total, Chevron, and Gazprom—announced plans to invest in the Region.²⁸⁸

U.S. efforts to cool the confrontation were led by direct appeals to Kurdish leaders from senior U.S. officials, and both sides offered conciliatory gestures. First, the KRG declared it would resume oil exports temporarily in mid-August, pledging a permanent resumption if the GOI reimbursed its costs. Direct GOI-KRG negotiations began under the auspices of GOI Deputy Prime Minister Rowsch Shaways, the most powerful Kurd serving in al-Maliki's government.²⁸⁹

On September 14, the two sides signed a tentative agreement that committed the KRG to restart exports on a more permanent basis. In return, the GOI agreed to reimburse oil-field development cost and resume earlier commitments to supply the KRG with 17% of oil products refined in Iraq as well as 17% of all crude oil delivered to power plants in Iraq for electricity production. Separate

In late July, Iraqi Army and KRG *Peshmerga* forces engaged in a brief military standoff.



Peshmerga troops deployed near Iraq's border with Syria display the Kurdistan Region's flag, August 2012. (Reuters photo)

committees drawn from representatives of both governments were formed to monitor adherence to the agreement and troubleshoot potential problems. The Council of Ministers (CoM) ratified the agreement six days later.²⁹⁰

Although the agreement eased the immediate dispute, it is viewed as a temporary arrangement, expedient to both sides as they regroup to work on hydrocarbon legislation.²⁹¹

National Conference

Iraqi President Jalal Talabani returned to the country late this quarter following a three-month absence for extended medical treatment in Germany. His presence and his consultations with leading political figures brought speculation that he might soon call a long-anticipated national conference to foster reconciliation among the country's leading political blocs. Such a conference would address unresolved grievances surrounding deals made in the aftermath of the March 2010 Council of Representatives (CoR) elections that produced a tenuous

government of national unity, but also a string of unfulfilled promises. Issues that remain open include appointment of the Ministers of Interior and Defense—ministries currently controlled by Prime Minister al-Maliki.²⁹²

Sentencing of Vice President

On September 9, Baghdad's Central Criminal Court convicted Vice President Tariq al-Hashimi of operating death squads and sentenced him to be executed. Al-Hashimi, a prominent Sunni political figure, late last year fled first to the Kurdistan Region and then the country before he could be arrested, and he has sought refuge in neighboring Turkey. He was tried and sentenced in absentia. The prosecution of such a senior Sunni political figure and al-Maliki opponent added to sectarian tensions and further unsettled the political environment. Bombings throughout Iraq claimed more than 100 lives on the day of the verdict.²⁹³

The agreement is viewed as a temporary arrangement, expedient to both sides as they regroup to work on hydrocarbon legislation.

Preparations for Elections

Following repeated delays, political maneuvering, and some outside cajoling, the CoR this quarter finalized membership for the Independent High Electoral Commission (IHEC). Included are two members from Prime Minister al-Maliki's Dawa Party, two each from al-Iraqiya and the Kurdistan Alliance, and one member each from the Islamic Supreme Council of Iraq and the Sadrist Trend. The final member, a Turkman woman, was selected several days after the others as the representative of minority groups. With powers to determine both candidate and voter eligibility, the IHEC's influence over the electoral process is considerable. Among its first major tasks, the commission will organize and supervise the country's provincial elections in 2013 and national parliamentary elections in 2014.²⁹⁴

By keeping the size of the IHEC at 9, CoR members rejected efforts by Prime Minister al-Maliki's allies to expand its size to 15—a number opponents worried would be easier for him to manipulate. Pressure on IHEC members is intense, as was underscored this quarter when outgoing IHEC Chairman Faraj al-Haidari was given a one-year suspended prison term following his conviction on graft charges. Al-Haidari frequently clashed with al-Maliki, and the charges were viewed as dubious by opponents of the Prime Minister.²⁹⁵

The outgoing IHEC's original mandate expired in April 2012, which required the CoR to vote short-term extensions as it tried to agree on the size and composition of the new commission. Within one 5-day period in September, the United Nations Secretary General's Special Representative for Iraq, Martin Kobler, issued two statements urging the CoR to break its deadlock over the new commission's size and composition and find a solution for the good of the country. Kobler called the IHEC, "one of the few electoral commissions in the region that safeguards a free, fair and transparent electoral process" and "the most important guarantee of holding free and fair elections in Iraq."²⁹⁶

Council of Ministers

The CoM met regularly through the quarter, including during the month of Ramadan. In addition to approving the agreement that commits the KRG to increase crude oil exports in return for being reimbursed by the GOI for oil-field development costs, the CoM took action across a broad range of issues:²⁹⁷

- approving a draft GOI budget for 2013 totaling \$118.4 billion (for more details, see Section 2)
- naming Dr. Abdul Basit Turki al-Sae'ed as Acting Governor of the Central Bank of Iraq (CBI). As head of the GOI's Board of Supreme Audit, Dr. Abdul Basit this quarter completed an audit of the CBI's weekly currency auctions that concluded that, at most, only 20% of the estimated \$1 billion in U.S. dollars purchased each week at those auctions was used in legitimate transfers. The rest was laundered to get illicit money out of the country. At an October 24, 2012, news conference, Prime Minister al-Maliki said a warrant had been issued for the arrest of dismissed CBI Governor Sinan al-Shabibi in connection with the currency auctions.
- authorizing the Ministry of Oil to sign technical services contracts for three exploration blocks awarded at the fourth oil and gas licensing round in May 2012. Signing of a fourth contract with the Kuwait Energy Company for a block north of Basrah was delayed.
- adopting a new 10-year national strategy for education and higher education for the years 2012–2022
- authorizing the chairman of the National Investment Commission to negotiate and sign a draft agreement encouraging and protecting investment between the GOI and the People's Republic of China
- authorizing the Ministry of Culture to redirect \$4.2 million from its operating budget to finance a museum documenting the crimes of Saddam Hussein's regime through its fall in 2003

Following repeated delays, the CoR this quarter finalized membership for the Independent High Electoral Commission.

Minister of Communications Mohamad Tawfiq Allawi, a member of the Sunni-supported al-Iraqiya bloc, submitted his resignation this quarter, accusing the Prime Minister of political interference. According to one account, the move came after al-Maliki refused to discipline a director general in the ministry whom Allawi claimed no longer followed his orders and was building an independent power base, apparently on al-Maliki's behalf. The GOI issued a statement distancing the Prime Minister from the dispute, declaring he had no role in the director general's appointment to the ministry. At the time of his resignation, Minister Allawi was presiding over several high-profile issues, including the expected initial public offerings of equity shares on the Iraq Stock Exchange by the three mobile-telephone carriers operating in Iraq. The ministry is also scheduled to auction a fourth mobile-telephone operating license in the country before the end of 2012.²⁹⁸

Another senior Sunni political figure, Deputy Prime Minister Salih al-Mutlaq, returned to the cabinet in August, eight months after criticizing Prime Minister al-Maliki as a "dictator" in a public spat across sectarian lines. Al-Mutlaq's departure last December came as several leading Sunni political figures protested the warrant issued for the arrest of Vice President al-Hashimi.²⁹⁹

Prime Minister al-Maliki this quarter continued to serve as Minister of Defense and Minister of Interior, with no separate appointments made for those positions.³⁰⁰

Council of Representatives

The CoR met for 23 days during the quarter. Ten of those sessions occurred during Ramadan.³⁰¹ During this period, representatives voted 23 draft bills into law, but delayed action on key draft legislation, including an Amnesty Law and enabling legislation to govern the Federal Supreme Court. The CoR's work during the quarter raised the total number of laws enacted during 2012 to 77.³⁰² An additional 80

separate draft laws now under consideration by the CoR have undergone at least one reading; 59 have gone through a second reading.³⁰³

A special five-member bipartisan CoR committee began work this quarter to bridge political divisions and build support for legislation that would set the basic rules for Iraq's hydrocarbon sector. The legislation requires lawmakers to address sensitive unresolved constitutional issues, including the distribution of state power, that divide the KRG and the GOI. The outcome could determine who ultimately controls the country's oil riches as well as the fate of Iraq as a federal state. The committee includes members of the major political blocs, Iraq's Minister of Oil and Kurdistan's Minister of Natural Resources. Competing versions of the Hydrocarbon Laws already exist, with one draft stemming from late 2006.³⁰⁴

Among the laws passed this quarter were two amendments to the existing Election Law, which were passed in advance of provincial elections currently planned for April 2013. One increased the number of seats reserved for minorities on provincial councils; the other refined the process of compiling accurate voting rolls.³⁰⁵ Two laws—passed as a package—eliminated the Ministry of Religious Affairs and placed the Sunni and Shia Endowments under direct control of the CoM. Funding for the two endowments will be stipulated in the annual federal budget and be disbursed to each directly.³⁰⁶ Another new law provides Iraqi students grants to study at colleges and universities within the country.³⁰⁷

The CoR took these additional actions this quarter:

- passed a resolution, by a margin of 101 to 98, expressing support in principle for the idea of privatizing the electricity sector³⁰⁸
- (following extensive debate and repeated delay) finalized membership for the IHEC³⁰⁹
- ratified an agreement with Kuwait negotiated earlier in 2012 that provides a payment of \$300 million to Kuwait and another \$200 million to help establish a joint Iraqi-Kuwait airline.

The CoR's work during the quarter raised the total number of laws enacted during 2012 to 77.

(Under terms of the accord, the payments would resolve a claim of more than \$1.2 billion in compensatory damages against Iraqi Airways for the loss of Kuwait Airlines commercial aircraft that occurred during Saddam Hussein's 1990 invasion of Kuwait. Because the claim won international recognition, it severely hampered efforts by Iraq's national airline to resume flights on key international routes out of concern its aircraft might be seized.)³¹⁰

- ratified an agreement negotiated in late 2010 to support Arab cooperation to fight money laundering and funding of terrorism³¹¹
- failed to pass a supplementary 2012 budget request of \$9.3 billion (The draft law was subsequently withdrawn. It had included funds to finance electricity projects, support the public distribution system of basic food commodities, and provide additional funds for defense.)³¹²
- withdrew a draft Amnesty Law offering freedom to a majority of prisoners held in Iraqi jails except those accused or convicted of major crimes, including terrorism, murder, and kidnapping (The Minister of Justice declared conditions in the country were “unsuitable to put the law to a vote.”)³¹³
- delayed a vote on draft legislation supported by the government that would authorize a three-year, \$30-plus billion infrastructure construction program to be financed through loans guaranteed by the GOI. The draft law includes \$3 billion for the construction of new hospitals and other healthcare facilities. Supporters of the law say the government-backed loans—known as sovereign guarantees—are required to develop non-oil sectors of the economy because large international banks and institutions such as the U.S. Export-Import Bank will not finance large projects without such protection. Opponents of the draft argued the law could lead to Iraq incurring heavy debt.³¹⁴



The Inspector General meets with Qubad Talabani, head of the KRG's Department of Coordination and Follow-Up, in September 2012.

Kurdistan Update

Following his return this quarter from Germany, Iraq's President and Patriotic Union of Kurdistan (PUK) Chairman Jalal Talabani met with senior members of the Change List (*Goran* in Kurdish), the region's main opposition party. The meeting took place amid signs of a possible realignment of political forces in the Kurdistan Region, where an alliance of the PUK and its rival Kurdistan Democratic Party (KDP) has long dominated political life. Talabani declared he favored changes in the formal PUK-KDP power-sharing agreement. The Change List's strong showing in 2009 regional elections came primarily at the PUK expense in areas around Sulaymaniyah, where both enjoy support.³¹⁵

Talabani's son, Qubad Talabani, also returned to the Kurdistan Region this quarter following six years as the KRG representative in Washington, D.C. He now heads the Department of Coordination and Follow-Up within the KRG Office of the Prime Minister. In a recent meeting with SIGIR, Qubad Talabani said that this new interagency policy coordination unit was established to boost communication between ministries and improve

Talabani declared he favored changes in the formal PUK-KDP power-sharing agreement.

FIGURE 4.1
SATISFACTION WITH PUBLIC TRANSPORTATION, EDUCATION, AND AFFORDABLE HOUSING
IN KURDISTAN REGION AND REST OF IRAQ, 2011 VS. 2012

AGENCY	KURDISTAN REGION		REST OF IRAQ	
	2011	2012	2011	2012
Satisfied with public transportation	54%	23%	37%	50%
Satisfied with educational system	64%	61%	36%	48%
Satisfied with availability of affordable housing	53%	30%	14%	21%

Note: Among adults ages 15 or older.

Source: Gallup, "In Iraqi Kurdistan, Satisfaction with Infrastructure Crumbles," 9/7/2012, www.gallup.com/poll/157298/iraqi-kurdistan-satisfaction-infrastructure-crumbles.aspx, accessed 10/4/2012.

efficiencies within the KRG.³¹⁶ The job positions him to build personal ties to KRG political leaders—and the opportunity to establish a political base—after several years out of the region.

A Gallup poll released this quarter found that public satisfaction in the Kurdistan Region with three key government-supplied services declined during the past year (see Figure 4.1). Face-to-face interviews with more than a thousand individuals in the Region found the percentage of those satisfied with public transportation and the availability of affordable housing fell sharply while the satisfaction rate for the region's education system declined marginally. The results of more than 7,000 interviews conducted with Iraqis living outside the Kurdistan Region found just the opposite—that public satisfaction levels with all three services rose significantly during the year.³¹⁷

Displaced Persons

As of mid-October, the ongoing civil unrest in Syria had prompted upward of 82,000 people to flee that country this year for the relative safety of Iraq. More than half were Iraqis who previously had sought refuge in Syria from the 2003 war and the ensuing sectarian violence in their home

country. But almost as many Syrians also streamed into Iraq. For an overview of the flow of returning Iraqis and fleeing Syrians into Iraq this year, see Figure 4.2.

Returning Iraqis

An estimated 2 million Iraqis were displaced to neighboring countries in the aftermath of the 2003 invasion, and two-thirds of those who registered with the United Nations High Commissioner for Refugees (UNHCR) settled in Syria. As their home country became more stable, these displaced Iraqis gradually returned, with almost 11,000 returning in 2010 and more than 28,000 in 2011.³¹⁸ This year's escalating violence in Syria has driven up the rate of return. From July 18 to October 3, for example, 42,860 Iraqis returned to their home country from Syria—exceeding the number who returned in 2011 and 2012 combined.³¹⁹

Almost two-thirds of the returnees reportedly entered Iraq by road at al-Waleed border crossing; 15% entered at Rabeaa, and 6% at al-Qaim; and the remaining 14% returned by air, many on flights paid for by the GOI.³²⁰ According to UNHCR, the Iraqi Ministry of Displacement and Migration (MoDM) has been expediting the registration process for returnees, and this should enable returnees to receive government assistance for their

From July 18 to October 3, 42,860 Iraqis returned to their home country from Syria.

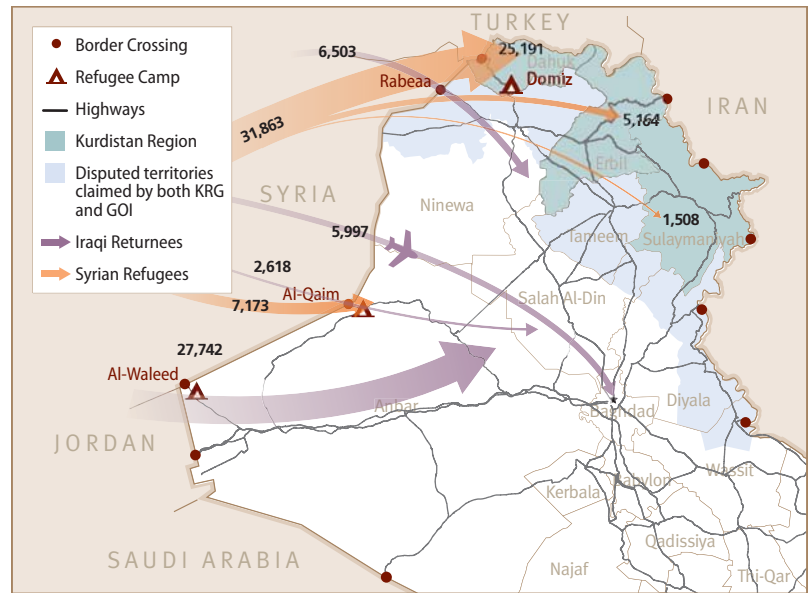
reintegration into Iraqi society. UNHCR reported that it was providing household items to returnees and planned to start a small cash-assistance program for the most vulnerable returnee families.³²¹

In all, 80,850 Iraqi refugees returned to their home country in the year ending August 30, 2012, and 61% of those returnees—48,985—came from Syria. As shown in Figure 4.3, the number of Iraqis who returned from Syria during this 12-month period was almost triple what it was in the previous 12-month period, and it exceeded the number of returnees from all countries combined in that previous period. During the preceding year, 47,180 Iraqis returned, and 16,420 (35%) were from Syria.³²²

Syrian Refugees

As of October 12, almost 341,000 Syrians had fled to neighboring countries because of the upheaval in their country, and about 11% of them were in Iraq. According to UNHCR, almost 25,000 Syrian refugees entered Iraq in the two-month period ending October 12, increasing the total number of Syrian refugees in Iraq to 39,036, as shown in Figure 4.4. The situation has been fluid, and UNHCR's reports have sometimes been difficult to track, but

FIGURE 4.2
FLOWS OF SYRIAN REFUGEES AND IRAQI RETURNEES IN 2012



Note: All locations and routes are approximate. Data for Syrian refugees is current as of October 12; data for Iraqi returnees is current as of October 3. Syrian refugees were residing, as shown, in Anbar and the Kurdistan Region; Iraqi returnees said they were heading to various destinations, with most going to Baghdad, Anbar, and Ninewa.

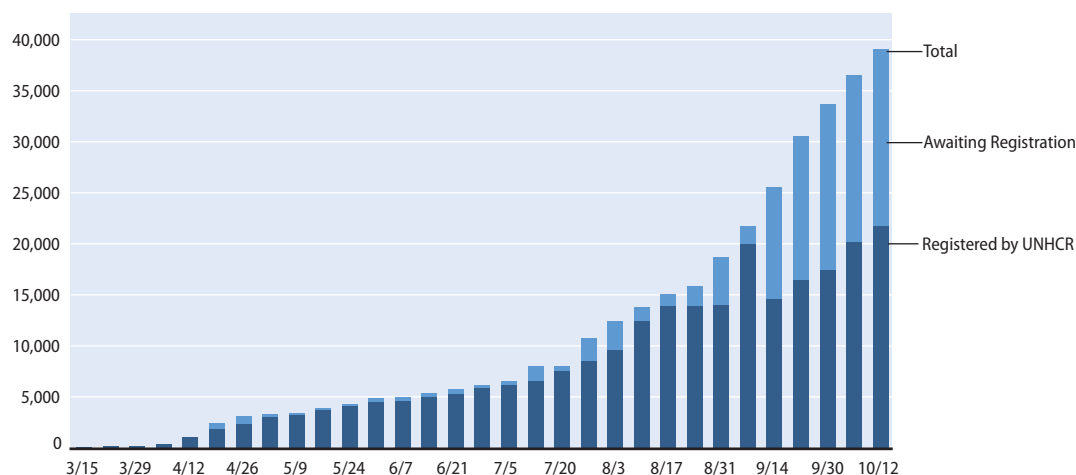
Sources: UN, IAU, "Iraq—Syrian Refugee Camps Map," 8/2012, www.iauiraq.org/documents/1779/IAU_Border_Crossings_Camps_A0_2012_v4.pdf, accessed 10/5/2012; USIP, *Iraq's Disputed Territories: A View of the Political Horizon and Implications for U.S. Policy*, 4/2011, www.usip.org/files/resources/PW69_final.pdf, accessed 4/10/2011.

FIGURE 4.3
IRAQI REFUGEE RETURNS, BY COUNTRY OF ASYLUM, 9/2010–8/2011 VS. 9/2011–8/2012



Sources: UNHCR, "Iraq Operation: Monthly Statistical Update on Return," 8/2011 and 8/2012.

FIGURE 4.4
SYRIAN REFUGEES IN IRAQ, 3/15/2012–10/12/2012



Sources: UNHCR, "Syria Regional Refugee Response: Jordan, Lebanon, Iraq, Turkey," updates, 4/18/2012–10/12/2012; Syria Regional Refugee Response Information Sharing Portal, Iraq Demographic Breakdown, data.unhcr.org/syrianrefugees/country.php?id=103, accessed 10/12/2012.

it appears that roughly half of these refugees were residing in local communities, with the remainder living in refugee camps.³²³ As of September, humanitarian agencies expected the Syrian refugee population in Iraq to grow to 60,000 by the end of 2012, and they estimated that it would cost them about \$47.5 million in 2012 to meet the needs of these refugees.³²⁴

More than 80% of the Syrians entering Iraq this year have been Kurds seeking refuge in the Kurdistan Region,³²⁵ though UN reports on the situation have not specified where these refugees crossed the border. Dahuk, the Region's westernmost province, shares an approximately three-mile-long river border with Syria, and the KRG has generally maintained an open-door policy toward the Syrian Kurds.³²⁶ In addition, the next 90 miles of Syria's border with Iraq are along the disputed territory in northwestern Ninewa province, an area that has been largely under the control of the KRG's *Peshmerga* security forces.

During the first three weeks of August, an average of about 500 Syrian Kurds arrived each week in the Kurdistan Region. At the beginning of September, 500 were arriving each day.³²⁷ By mid-October,

about 13,000 displaced Syrians were staying at the Domiz refugee camp in Dahuk, which is managed by the provincial government and several UN agencies. UNHCR and others were working to provide humanitarian assistance, basic education, and access to water and sanitation.³²⁸ With the continuing influx of refugees, the local authorities and UNHCR were expanding the camp's capacity.³²⁹

The other Syrian refugees entering Iraq have done so mostly at al-Qaim border crossing in Anbar province, where the GOI started setting up a new refugee camp during the summer. Al-Qaim point of entry was opened for the fleeing Syrians on July 24, as were al-Waleed and Rabeaa border crossings. But the GOI halted entry at al-Qaim on August 24, stating that the new camp was not fully prepared to accommodate the growing number of refugees. The GOI partially reopened the crossing on September 18; however, as of mid-October, males ages 16 to 49 were still prohibited from entering through al-Qaim. During the month-long period when the crossing was closed, some 3,000 Syrians became stranded at the Iraqi border and, according to the United Nations Children's Fund (UNICEF), faced "an acute shortage of food and

As of mid-October, males ages 16 to 49 were still prohibited from entering through al-Qaim.



In mid-October, about 7,000 Syrian refugees were living at al-Qaim refugee camp in Anbar province. (UNHCR photo)

medicine,” were drinking untreated river water, and were suffering from a growing number of cases of diarrhea. Both UNICEF and UNHCR appealed to the GOI to allow these people entry to Iraq.³³⁰

By October 12, a second camp had been established at al-Qaim; approximately 7,000 Syrian refugees (including most of those who had previously been accommodated in schools and other public buildings in the area) were residing at the two camps; and there were plans to set up a third camp, which would increase hosting capacity in al-Qaim to as many as 25,000 refugees.³³¹ UNHCR reported that, at the request of the MoDM, relief agencies and local authorities were considering establishing another camp at al-Kasek in Ninewa province.³³²

On October 1, the MOI’s Permanent Committee for Refugees announced that Syrian refugees in Iraq would be granted six-month residency permits, which would give them more freedom of movement and easier access to services.³³³

Relocation of Iranians from Camp Ashraf to Camp Hurriya

On September 16, approximately 680 Iranian Mujaheddin-e Khalq (MEK) members moved from Camp Ashraf to Camp Hurriya in the final major convoy to relocate the group. This followed the August 29 transport of 400 people to Camp

Hurriya. Of the 3,280 residents originally in Camp Ashraf, about 200 remained after September 16, and the UN said it was continuing to oversee the process of closing Ashraf, including the relocation of the remaining residents.³³⁴

In July, the GOI transported 300 additional air conditioners from Camp Ashraf to Camp Hurriya, along with several large water tanks, additional generators, and other goods. It also supplied three specially equipped vehicles for residents with disabilities.³³⁵ The United Nations Assistance Mission for Iraq reported that Camp Hurriya has a dining facility with an industrial kitchen, a fully equipped gym, a mosque, several community centers, and numerous recreational spaces; the residents live in container housing, with three to four people per unit and fully air-conditioned rooms; and the residents receive electric power 24 hours per day.³³⁶

According to the December 25, 2011, memorandum of understanding (MOU) between the GOI and the UN, the relocation to Camp Hurriya is the first step in a process that will include a determination by UNHCR of the refugee status of each of the residents and their eventual safe resettlement outside Iraq.³³⁷ However, shortly after the September 16 transfer, UNHCR noted that “the slow response of resettlement countries in offering places for this caseload remains a challenge.”³³⁸

UNHCR noted that “the slow response of resettlement countries in offering places for this caseload remains a challenge.”

Public Services

Electricity

Apparently resulting from the new Ministry of Electricity (MOE) power plants that entered service in May and June and the recent rehabilitation of generating units at several older plants, the total supply of electricity on the national grid surged to another record high this quarter, averaging about 7,300 megawatts (MW). This was a 1,000 MW increase over the average supply last quarter and an almost 1,400 MW increase over the same quarter last year—the largest quarterly and yearly increases ever achieved by the MOE. Electricity imports from Iran changed little from last quarter, and average production from the “powerships” docked in Basrah apparently decreased by about 20 MW (9%). According to the MOE, this quarter’s supply on the grid was enough to provide the average Iraqi consumer with 10–12 hours of power each day.³³⁹

The supply figures do not include electricity production in the Kurdistan Region, which is no longer publicly reported by the MOE, nor do they include the 270 MW that was “exported” this quarter from the Region to neighboring Iraqi provinces.³⁴⁰ According to KRG officials, power

plants in the Kurdistan Region have been producing about 1,950 MW, or 85% of estimated demand in the Region.³⁴¹

Despite the record increase, this quarter’s average supply on the national grid was about 2,000 MW less than what the MOE previously announced it would be during this three-month period. In a May 2012 press release and video, the MOE provided a month-by-month forecast that showed “electricity produced” increasing to 12,330 MW in April 2013.³⁴² But progress has been slower than promised. As shown in Figure 4.5, the actual supply in June 2012 was about 12% below the MOE’s forecast for that month, the amount forecast for June was not achieved until September, and the actual supply in each of the three months of the quarter was about 20% below what had been forecast.³⁴³

In September, the Office of the Deputy Prime Minister (DPM) for Energy Affairs in effect told SIGIR to disregard the MOE’s earlier supply forecast, saying the announcement was “a daily MOE TV program and it’s only theoretical information.” The DPM’s office also said that the companies that have been contracted to build new power plants “are new in Iraq; we don’t expect they will fulfill their commitments according to their contracts obligations and contract period.”³⁴⁴ Separately, but consistent with this observation, Minister of Electricity Karim Aftan said in July that some projects were delayed because contractors were reluctant to work in the high summer temperatures.³⁴⁵

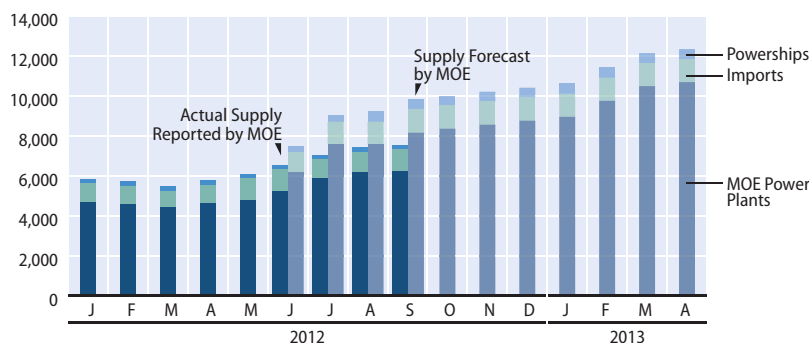
In several public statements this quarter, the MOE also said that the supply shortfall was exacerbated by the Ministry of Oil’s inability to deliver adequate fuel to run power plants. In August, for example, the MOE claimed that power-plant production was at least 1,250 MW below what it otherwise would have been because of a scarcity of oil and low pressure in natural gas pipelines.³⁴⁶

Pending MOE Power-plant Projects

The Office of the DPM for Energy Affairs reported that 41 power plants are currently under construction—3 thermal plants, 19 diesel plants,

The MOE said that the supply shortfall was exacerbated by the Ministry of Oil’s inability to deliver adequate fuel to run power plants.

FIGURE 4.5
ACTUAL AND FORECAST AVERAGE MONTHLY ELECTRICITY SUPPLY ON GOI NATIONAL GRID, 1/2012–4/2013
MW



Note: The “Actual Supply” shown for September 2012 is an estimate based on MOE data for 21 days of that month.

Sources: U.S. Embassy-Baghdad, responses to SIGIR data calls, 4/13/2012, 7/3/2012, and 10/1/2012; GOI, NMC, “Status of the Ministry of Electricity,” selected reports, 6/1/2012–9/30/2012; GOI, MOE, “Ministry of Electricity Announces the Size of the Total Electric Power Produced and Added Throughout the Months,” 5/6/2012, www.moelc.gov.iq/ar/index.php?name=News&file=article&sid=347, accessed 5/14/2012.

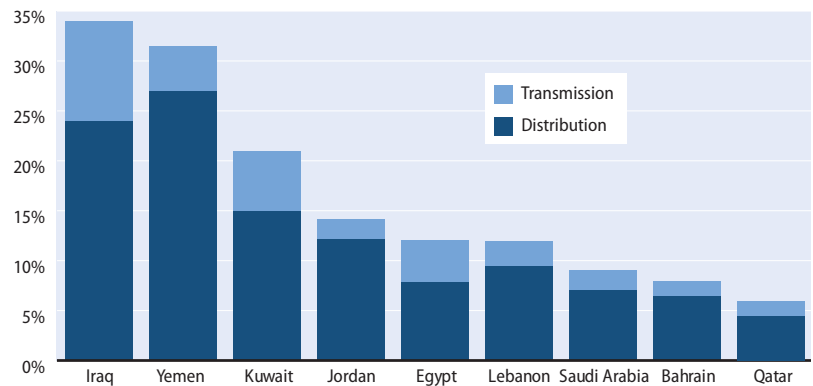
18 combustion-turbine plants, and 1 hydroelectric plant. It also said that the MOE is still expecting the installed (nameplate) capacity on the national grid to reach 27,000 MW and the available (feasible) capacity—the amount that can actually be produced—to reach 22,000 MW by the end of 2015.³⁴⁷ Assuming the planned new capacity is not delayed, the International Energy Agency (IEA) estimates that grid-based electricity generation is likely to catch up with peak demand at that time.³⁴⁸

Although the MOE did not announce the completion of any new power plants this quarter, it did report that it had received bids on three 500 MW combustion-turbine plants: Diwaniyah in Qadis-siya, al-Amarah in Missan, and Nassiriya in Thi-Qar.³⁴⁹ Of the 11 plants designed to use turbines purchased in the December 2008 Mega Deal with General Electric (GE), these three are the furthest behind in the contracting process.³⁵⁰ According to the DPM's office, the MOE also signed a contract in late July with China Machinery Engineering Corporation (CMEC) to build a 1,890 MW plant in Salah Al-Din.³⁵¹ In December 2011, the MOE announced that it had signed a contract with CMEC for construction of this plant, but said the plant would have a capacity of 1,260 MW.³⁵² Apparently the specifications were subsequently modified to increase the plant's generating capacity through the use of combined-cycle technology.

Transmission and Distribution

The Minister of Electricity has acknowledged that additional production capacity alone will not solve Iraq's "power crisis." The country's power transmission and distribution networks also need to be upgraded and expanded so that the output from new power plants, once completed, can be reliably and efficiently delivered to consumers.³⁵³ The IEA has pointed out that the MOE's transmission network is inefficient and the distribution networks are seriously degraded—suffering from poor design, inadequate maintenance, and illegal tapping. The results include wasted energy, low voltage levels, and frequent disruptions of service. As Figure 4.6

FIGURE 4.6
ELECTRICITY TRANSMISSION AND DISTRIBUTION LOSSES
IN SELECTED COUNTRIES, 2010



Note: Between the point of electricity generation and the point of end use, energy is lost due to the resistance of the wires and equipment that the electricity passes through. It also can be lost to theft. Transmission losses occur between the generator and local substation, while distribution losses occur between the substation and final destination. The graph is based on data from the Arab Union of Electricity, though the split between transmission and distribution losses for Saudi Arabia and Bahrain are IEA estimates.

Sources: IEA, *Iraq Energy Outlook*, 10/9/2012, p. 33; Arab Union of Electricity, *Statistical Bulletin 2010*, Issue 19, p. 21.

shows, more than one-third of the electricity that is produced in Iraq is lost before it reaches end users—the highest percentage of transmission and distribution losses among all countries in the Middle East.³⁵⁴

More than one-third of the electricity that is produced in Iraq is lost before it reaches end users.

Developments in the Kurdistan Region

On August 15, for the third time since summer 2011, the KRG announced a new initiative to "export" electricity to a disputed geographical area of Iraq. As directed by KRG President Massoud Barzani, the KRG's Ministry of Electricity began providing 10 MW to Salah Al-Din province's Tuz district. According to the ministry's press release, a delegation from Tuz met with Barzani in July and asked for help in improving basic services.³⁵⁵ In June 2011, Barzani announced that power produced in the Kurdistan Region was being supplied to Tameem (Kirkuk) province;³⁵⁶ and in June 2012, the ministry announced that it was facilitating the transmission of electricity from Turkey to the Mosul area.³⁵⁷ A KRG official told SIGIR that these three initiatives were coordinated with the provincial governments, not with the central

government's MOE.³⁵⁸ Now that Tameem is receiving electricity from both the national grid and the Kurdistan Region, it is an anomaly among the non-KRG provinces in that consumers in Tameem are receiving government-provided electric power about 18 hours per day—50% more than the other provinces served by the MOE's grid.³⁵⁹

The KRG also signed a \$700 million contract this quarter with two South Korean companies—Posco Engineering and Construction Company, Limited, and Korea National Oil Corporation (KNOC)—to build a 300 MW thermal power plant in Erbil and a 400-kilovolt substation in Sulaymaniyah. Posco will build the plants, and KNOC will provide financing in accordance with the terms of its oil-exploration agreement with the KRG.³⁶⁰ Separately, Siemens announced in September that it would be supplying gas turbines and generators for the 980 MW Khurmala combined-cycle power plant being built by the KAR Group in Erbil.³⁶¹

Water

The GOI signed a \$27 million cooperative agreement with the European Union this quarter to improve water-resources management. The program contains three specific components: \$13 million for a groundwater resources management project that involves a survey of available resources that would be shared with planners and academic specialists; \$9 million to establish water supply monitoring systems that include gauging stations; \$5 million to boost public awareness about the need for better water conservation and how to reduce water consumption. The GOI will pay just under one-quarter of program costs.³⁶²

To improve water availability in Iraq's northern provinces, a recent International Organization for Migration (IOM) report on water scarcity recommended further rehabilitation of the traditional underground aqueduct systems, known as karez, that have long been used for transporting well water.³⁶³ According to a 2009 UN Educational, Scientific, and Cultural Organization report, more than 100,000 people in northern Iraq fled their homes between 2005 and 2009 because of a major decline of water flow in karez systems due to drought and the overexploitation of groundwater.³⁶⁴

The IOM report also said there is a need for more artesian wells throughout Iraq, and it recommended initiating a general awareness campaign on the efficient use of irrigation water. On an institutional level, the IOM called for greater broad-based cooperation on water issues among Iraqi agencies and organizations, as well as among the national governments bordering Iraq. UN data has shown that more than one-third of Iraqi households do not have a secure supply of potable water. Less than half of rural households have access to safe drinking water.³⁶⁵

Education

The Ministry of Education signed a memorandum of understanding with the U.S. Agency for International Development (USAID) this quarter to jointly finance a series of education-reform projects focused on strengthening school management and improving primary education and teacher training.³⁶⁶ For more detail on this program, see Section 3 of this Report. ♦

UN data has shown that more than one-third of Iraqi households do not have a secure supply of potable water.

SECURITY AND THE RULE OF LAW

Violence in Iraq this quarter rose to levels not seen for more than two years. The Ramadan season saw a rise in attacks followed by a brief lull and then a return to heightened levels.³⁶⁷

Trends in Attacks and Casualties

During Ramadan (which extended from July 20 to August 19), attacks in Iraq were deadlier than at any time previously this year, and events coinciding with the sentencing of Vice President al-Hashimi pushed September violence even higher.³⁶⁸

The Ministry of Interior (MOI) reported that at least 854 Iraqi civilians were killed and more than 1,640 wounded in violent attacks this quarter. Of the 2,495 total casualties sustained, 1,048 occurred in September alone—the bloodiest month in two years.³⁶⁹

As Figure 4.7 shows, Iraq sustained a series of coordinated bombings nationwide this quarter, as well as assassinations and other smaller daily attacks, mostly in Baghdad, Anbar, Diyala, and Ninewa provinces. An analysis of the last three months supports the concerns expressed by MOI leaders and critics of the government alike: the Iraqi

Of the 2,495 total casualties sustained, 1,048 occurred in September alone—the bloodiest month in two years.

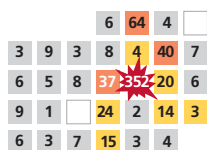
FIGURE 4.7
PATTERNS OF VIOLENCE, 7/1/2012–9/30/2012

July 2012



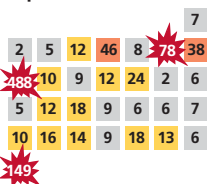
Tuesday, July 3: Attacks in several cities kill 40+ and injure 75+
Sunday, July 22: Car bombings kill 20 people and wound 80 in Baghdad; 23 civilians wounded in an IED attack in Najaf
Monday, July 23: Bombings in 15 cities kill 113 and wound 259; 14 IA soldiers wounded in mortar attack on their headquarters in Salah Al-Din, and another killed in grenade attack
Sunday, July 29: Suicide car bomb kills 2 IA and wounds 4 in Anbar; in Diyala, car bomb kills 6 civilians and wounds 13
Tuesday, July 31: Car bombing in Baghdad kills 21

August 2012

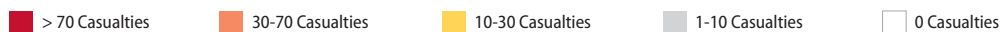


Thursday, August 2: Car bomb in Baghdad kills 9+ and wounds 32; in Diyala, 4 IP killed and 2 wounded in Salah Al-Din, 4 IA killed and 4 wounded in IED explosion targeting convoy, and 3 SOI killed and 2 IA wounded in IED explosion and gunmen attack on checkpoint; in Tameem, gunmen kill 1 IA and wound 3 more
Friday, August 10: Car bombing in Baghdad kills 2 and wounds 15; in Ninewa, a mosque bombing kills 3 and wounds 20+
Wednesday, August 15: Three car bombs in Diyala kill 7+ and wound 25; gunmen kill 5 IA
Thursday, August 16: Bombings in central and northern Iraq kill 82 and wound 270+; in Anbar, armed raid kills 25 IP; in Ninewa, two suicide bomb attacks kill 13 and wound 41+; in Tameem, car bomb kills 18 and wounds 25

September 2012



Friday, September 7: Attacks on 3 mosques in Kirkuk kill 8 and wound 70
Saturday, September 8: Bombings kill or wound 30+ in Diyala; 7 casualties in Syrian mortar attack
Sunday, September 9: Iraqi courts hand down death sentence for Vice President Tariq al-Hashimi; bombings in mainly Shia areas all over Iraq kill 100+ and wound 350+; in Salah Al-Din, 9 IA killed in IED and silenced gun attacks
Friday, September 28: Mass prison riot and escape in Tikrit kills 12 IP
Sunday, September 30: Bombings in ten cities kill 32+ and wound 104



Note: The numbers represented in the calendar graphic are comprehensive estimates of total Iraqi casualties throughout the entire country on that particular day. The text to the right briefly describes significant attacks on select days and does not purport to comprehensively detail all security incidents that occurred on the specified day.

Source: Information presented herein is based on SIGIR's analysis of open-source and official English and Arabic documents, studies, and analyses. All figures based on best available casualty information and represent the sum of killed and wounded for each incident.

Security Forces (ISF) must deal both with the waves of random, but complex, mass-casualty attacks being perpetrated by organized terrorist groups and with small-scale attacks and assassinations.³⁷⁰

This quarter, DoS released a new travel advisory warning of the high level of violence in Iraq. Although the statement acknowledged that attacks in the Kurdistan Region have been less prevalent, a dangerous security situation remains, and violence in the rest of Iraq and the risk of kidnapping for U.S. citizens is such that DoS recommended essential travel only. Moreover, DoS has emphasized that consular services in Iraq have been constrained by the security environment, and “the ability of the U.S. Embassy to respond to situations where U.S. citizens face difficulty, including arrest, is extremely limited.”³⁷¹

Lethal attacks on Iraqi Police (IP) and Iraqi Army (IA) soldiers rose this quarter—and most

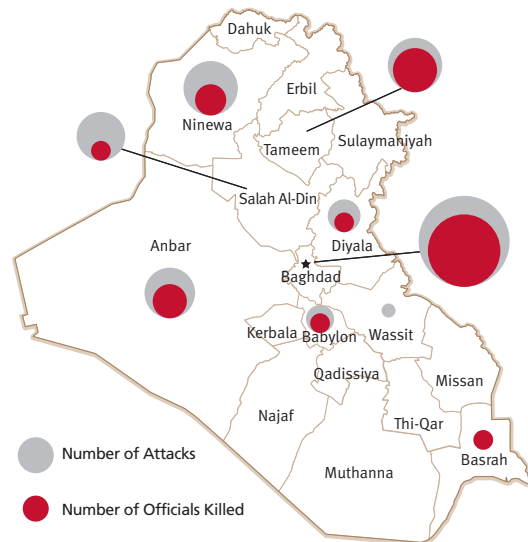
sharply in September, when more than 180 IP and IA personnel were killed and 230 wounded.³⁷² For a comparison of IP and IA casualties this quarter to those sustained six months ago, see Figure 4.8.

Assassinations of government officials and tribal leaders in Iraq continued unabated this quarter. More than 100 senior government officials were targeted for assassination, with 58 killed. These attacks also killed or wounded more than 120 family members, bodyguards, or other citizens who were in the vicinity of the apparently targeted individuals (see Figure 4.9). Ministry officials, judges, members of parliament, tribal sheiks, and senior ISF officials were targeted by bombs and armed attacks (including home invasion). The largest number of attacks on officials and other leaders occurred in Baghdad, with the second-largest number of attacks around Kirkuk.³⁷³

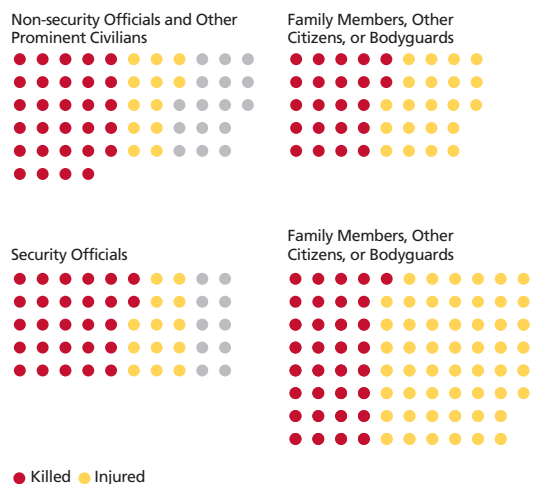
More than 100 senior government officials were targeted for assassination, with 58 killed.

FIGURE 4.9
SELECTED ACTS OF APPARENT TARGETED VIOLENCE AGAINST SENIOR OFFICIALS, 7/1/2012–9/30/2012

Number of Attacks and Officials Killed, by Province



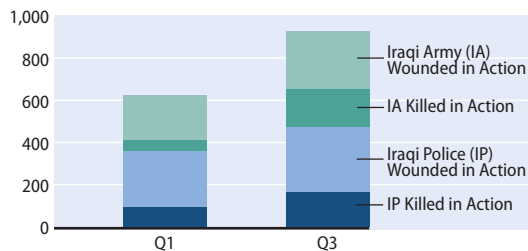
Officials Targeted, Killed, or Injured and Related Casualties



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

Source: SIGIR analysis of open-source documents in Arabic and English, 7/1/2012–9/30/2012.

FIGURE 4.8
IRAQI POLICE AND IRAQI ARMY CASUALTIES,
Q1 2012 VS. Q3 2012



Sources: MOI, information provided to SIGIR, 1/22/2012 and 10/20/2012.

Regional Issues

The conflict in neighboring Syria not only has required Iraq to provide shelter to thousands of fleeing Syrians and to help resettle even more returning Iraqis, but also has raised concerns that the violence and people with violent intent will cross the border into Iraq.

Iraq has expressed concern about the composition of the rebel movement in Syria. Iraq's Ambassador to the United Nations described al-Qaeda as a cancer in Syria.³⁷⁴ In more measured terms, U.S. Secretary of State Clinton stated, "We worry about terrorists, PKK, al-Qaeda, and others taking advantage of the legitimate fight of the Syrian people for their freedom to use Syria to promote their own agendas, and even to perhaps find footholds to launch attacks against others."³⁷⁵ According to Brigadier General Tariq al-Asal, commander of MOI border security, "What's happening [in Syria] now is providing a phenomenal environment for al-Qaeda to exploit in order to regain control [in Iraq]."³⁷⁶

In view of concerns about Syrian violence (and insurgent movements across the border), Iraq stepped up patrols along the Syrian border this quarter.³⁷⁷ Some of the fighting spilled over the border, with a report of at least one civilian death in al-Qaim on September 7, 2012.³⁷⁸ The MOI has expressed serious concerns over the fighting in Syria, describing it as an engine for violence in Iraq

and a vehicle for Sunni extremists to launch attacks against Iraq.³⁷⁹

The prospect that Syrian refugees have been infiltrated by terrorist elements has provided the GOI an ostensible rationale for limiting refugee access in Anbar.³⁸⁰ In the Kurdistan Region, however, the KRG had provided refuge for almost 32,000 as of mid-October 2012—more than four times the number in Anbar.³⁸¹ Most of these refugees in the north were Kurds fleeing the fighting in Syria.³⁸² According to at least one senior KRG official, Kurdish refugees from Syria were receiving military training in the Kurdistan Region.³⁸³

Tensions along the Syrian border also have exacerbated relations between GOI and KRG security forces. Under the Iraqi Constitution, the KRG has sole control of security within its borders.³⁸⁴ The constitution also gives control of the national borders to the federal government.³⁸⁵ On August 6, 2012, after some tension between GOI and KRG security forces, the General Secretary of the Kurdish Ministry of *Peshmerga* and Iraq's Ministry of Defense (MOD) signed a seven-point agreement to resolve the matter. The agreement allows the movement of the ISF personnel to their border posts within the KRG boundaries.³⁸⁶

The conflict in Syria has raised concerns that the violence and people with violent intent will cross the border into Iraq.



The MOI reported in August that its forces had stepped up precautions against attacks by al-Qaeda in Iraq. (GOI photo)



The Inspector General meets with Iraq's Principal Deputy Minister of Interior Adnan al-Asadi, September 16, 2012.

When U.S. forces departed Iraq, they took with them much of the ability to track and penetrate terrorist cells.

While Shia sentiments in Iraq have been dominated by concerns about al-Qaeda influences in Syria, a number of Sunni politicians have accused Iran of using Iraq as a conduit to supply the Syrian government in its civil war.³⁸⁷ Concerns that Iraq was allowing Iran to use its airspace to deliver weapons to Syria were also raised during the September confirmation hearing of Ambassador Beecroft.³⁸⁸ The GOI stated that “Iraq will not allow any country to supply weapons or fighters through its lands or airspaces to the conflicted parties in Syria.”³⁸⁹

Irrespective of the differing opinions within Iraq on the risks of the Syrian conflict, small-arms smuggling from Iraq into Syria is apparently on the rise. Security officials in Iraq note that the price of a black-market Kalashnikov rifle on the streets of Baghdad has risen from \$150 to \$1,200. The MOI attributes this rise in price to the demand for weapons in Syria.³⁹⁰

Iraqi Security Forces

Iraq has steadily increased the capability of its security forces, incorporating assistance provided

by or purchased from the United States, but it remains vulnerable in any conflict launched from beyond its borders. Land forces are still not capable of mobile conventional warfare, and Iraq remains dependent on its allies for control of its skies. Iraq's transition of all internal defense to the MOI, planned for July 2012, has been postponed; however, the MOI now has 80%–90% responsibility for security in Baghdad.³⁹¹

Ministry of Interior

The MOI remains an effective police agency in many aspects; however, it struggles to prevent both large- and small-scale terrorist attacks. According to the Office of Security Cooperation-Iraq (OSC-I), the single greatest shortfall in the near term is in the gathering and processing of intelligence. When U.S. forces departed Iraq, they took with them much of the ability to track and penetrate terrorist cells.³⁹² Currently, the MOI lacks the equipment and training to intercept communications. Iraqi leadership has also expressed frustration over burdensome requirements for gaining court permission to eavesdrop on communications.³⁹³ The shortfall in the ability to intercept terrorist communications, coupled with a lack of integration between Iraq's intelligence agencies and a lack of forensic analysis capacity, apparently has left the ISF blind to a resurging al-Qaeda in Iraq.³⁹⁴ Thus, although the MOI can react to a terrorist attack after the fact, it is unable to move proactively against nascent terrorist cells.³⁹⁵

A major attack on a jail in Tikrit on September 27, 2012, drew sharp criticism of the ISF. Ten guards were killed, and dozens of inmates escaped.³⁹⁶ Al-Qaeda later took credit for the attack, claiming that it was able to smuggle weapons into the facility.³⁹⁷ A local government official called the incident “a regrettable security breach,” promising that an investigation would begin “starting with the commander of the security forces” at the prison.³⁹⁸

Adequate intelligence is not the only capacity gap facing the MOI. It also lacks the equipment needed to manage its borders effectively to prevent

The Institutionalization of Corruption in Iraq

Corruption and the level of theft of government funds by GOI officials remains a matter of controversy. While both Prime Minister al-Maliki and Chief Justice Medhat al-Mahmoud concede that corruption remains a problem, both state that the pervasiveness of corruption has been exaggerated. Critics of the government, on the other hand, claim that corruption is now worse than it has ever been.³⁹⁹ Dr. Abdul Basit, until mid-October President of Iraq's Board of Supreme Audit and currently the interim Governor of Central Bank, has told SIGIR that there has been a massive flight of U.S. dollars from Iraq, mostly through money laundering, and that this is evidence of widespread corruption. According to Dr. Abdul Basit, approximately \$1 billion a week is leaving Iraq—80% of it moved through fraudulent documents hiding its true purpose.⁴⁰⁰

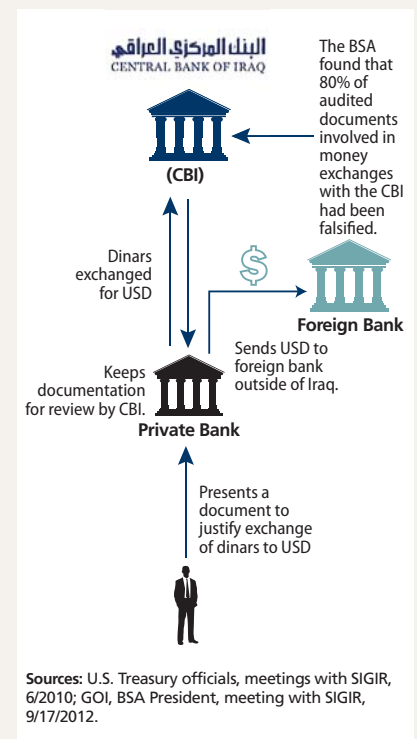
According to several current and former GOI officials, corruption in Iraq is not tied to personal criminal activity but has become ingrained in the government infrastructure through the

political parties.⁴⁰¹ A widespread method to accomplish this corruption has been government contracts, often using shell companies outside of Iraq.⁴⁰² The companies that receive these rigged awards then move the funds outside of the country through fraudulent means.⁴⁰³

In recent interviews with SIGIR, numerous senior Iraqi officials, advisors to Iraq's anticorruption institutions, and program implementers have pointed to a clear evolving pattern of corruption that has become institutionalized within the government and political system of Iraq. In the view of several officials, corruption has transformed from controlled corruption under a dictatorship, to corruption out of control during a period of lawless violence, to the current situation, where corruption and the patronage it allows has become a means of governing.⁴⁰⁴

A repeated complaint, even among the supporters of the current government, has been the "Quota System," which is shorthand for the allotment of government posts according to political blocks. Officials who owe their positions, and thus loyalty, to their political sponsors are compelled to siphon government largess

to political backers according to arrangements made outside of public view. In some cases, this practice has nearly swallowed up entire projects and programs, leaving the public to benefit from a small fraction of the money spent.⁴⁰⁶



the smuggling of arms. The United States is assisting the Iraqis in refurbishing 49 sonar backscatter vans and providing 100 smaller devices that will allow for the rapid inspection of incoming vehicles.⁴⁰⁵

Ministry of Defense

OSC-I reported this quarter that the MOD continues to build Iraq's capacity for external defense across its forces:

- Iraq remains particularly vulnerable in protecting the Port of Umm Qasr and al-Basrah Oil Terminal (ABOT). Two pipes leading to ABOT support 80% of Iraq's revenues. This facility is

protected by nine patrol boats; three additional boats have yet to arrive.⁴⁰⁷

- Iraq is building the capacity to control its airspace. This quarter, pilots for the first of two squadrons of F-16s were training in the United States. Meanwhile, 350 maintenance personnel began training courses in Jordan, 150 of whom will go on to specialized training for F-16 maintenance. The goal is to have the ability to operate and maintain the aircraft when they arrive.⁴⁰⁸
- The MOD has recognized a shortfall in its armored maneuver forces. It has approached DoD about the possible purchase of additional

Iraq remains particularly vulnerable in protecting the Port of Umm Qasr and al-Basrah Oil Terminal.

Bradley Fighting Vehicles or Stryker armored personnel carriers to increase the mobility of Iraqi infantry units.⁴⁰⁹

Justice System

The Iraqi court system continues to struggle to protect its judges from terrorist activity. Its current force of 7,500 is being supplemented by 2,500 police from the MOI. While the Higher Judicial Council (HJC) believes this to be an adequate force to protect the judiciary, these security personnel lack firearms and other equipment they need to protect staff and facilities.⁴¹⁰

The court system also struggles with human rights issues, including reported acts of torture and retaliatory prosecutions by police and military authorities. The courts have expressed frustration over a lack of legal tools available to confront abuses by security forces.⁴¹¹

Death Penalty

As of October 10, 2012, Iraq had executed 119 people thus far in 2012,⁴¹² up from 68 executions in all of 2011.⁴¹³ In August, during a three-day period, 26 people were executed. In the first week of October, authorities executed another 23 people.⁴¹⁴ The United Nations Special Rapporteur on extrajudicial, summary, or arbitrary executions called on Iraq to halt the executions and review the death-row cases.⁴¹⁵

Other Developments

On October 16, 2012, the Governor of the Central Bank of Iraq, Sinan al-Shabibi, was removed from office.⁴¹⁶ In his place, the CoM installed the President of the Board of Supreme Audit, Dr. Abdul Basit, as a temporary measure.⁴¹⁷ For more on these developments, see Section 1 of this Report.

An outspoken leader of the anticorruption effort, former Commission of Integrity (COI) Commissioner Raheem al-Ugaili has been assigned to the HJC's public prosecution office. He informed SIGIR that he now faces at least 10 charges of "administrative corruption" for allegations such as:⁴¹⁸

- holding press conferences and exaggerating the level of corruption in Iraq
- providing U.S. officials statistics on the performance of the COI—a requirement for receiving U.S. grant assistance through the GoCASE initiative (a computerized case processing system)

A number of other COI officials also have been charged with similar crimes or have been reassigned since al-Ugaili resigned as COI Commissioner in protest, claiming political interference in his duties.⁴¹⁹

The current COI Commissioner, Judge Alla'a Jwad Hameed, completed his first year in office, serving as the third interim commissioner since the last appointed and confirmed commissioner, Judge Radhi Hamza al-Radhi, resigned and fled to the United States in September 2007. Commissioner Alla'a has focused enforcement resources on an antibribery campaign that confronts retail corruption⁴²⁰ and on the requirements that government employees sign a code of conduct and submit financial reports. Only a third of GOI employees have signed the code of conduct.⁴²¹

The most significant corruption conviction this quarter involved a former Financial and Administrative Director General who was sentenced to 15 years in prison for embezzling more than \$430,000.⁴²² The most notable arrest this quarter was of an employee in the state-owned al-Rasheed Bank accused of embezzling approximately \$9.7 million by helping a customer draw checks from accounts with no balance. The criminal case is pending.⁴²³ ♦

A former Financial and Administrative Director General was sentenced to 15 years in prison for embezzling more than \$430,000.

ECONOMY

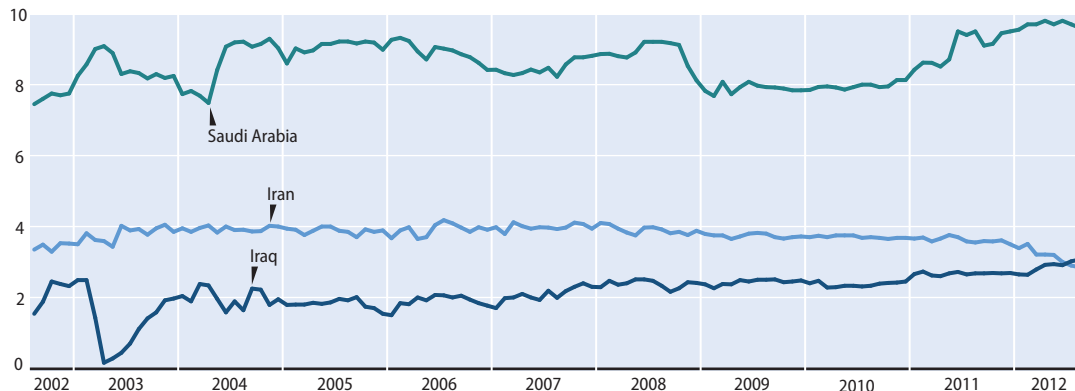
Iraq overtook Iran this quarter as the second-largest producer of crude oil in the Organization of the Petroleum Exporting Countries (OPEC), but still well behind Saudi Arabia (see Figure 4.10). The development occurred as Iraq's average output topped 3.0 million barrels per day (MBPD) over a two-month-long period for the first time in more than two decades. Crude oil export volume also rose to post-1990 record levels. Rising oil output and the launch of several major infrastructure projects helped maintain the double-digit gross domestic product (GDP) growth projected by the International Monetary Fund (IMF) for 2012. Although the revised 10.2% projected growth for 2012 was among the highest rate for oil-exporting nations in the Middle East and North Africa region, the figure is more than 2% lower than the IMF's 12.6% GDP growth projection made earlier in 2012.⁴²⁴ Iraq's longer-term economic prospects remained clouded by a combination of bureaucratic inertia and an increasingly divisive political climate.⁴²⁵

Other key indicators of Iraq's economic position this quarter included:

- **Oil Export Receipts.** The GOI earned \$20.73 billion in receipts from the sale of crude oil during the quarter. The total receipts were 9% less than the previous quarter, because of lower crude oil prices. The income represented a 6% increase above the same quarter in 2011.⁴²⁶
- **Inflation.** Year-on-year core inflation fell to slightly less than 5% in August 2012, after remaining steady around the 6% level for much of the previous quarter. The figure is well below the 10.6% average projected in April 2012 by the IMF for oil-exporting nations in the Middle East and North Africa region. Several factors appeared to contribute to this decline, including lower import costs and a stable exchange rate for the Iraqi dinar. Growth of money supply—a potential source of inflationary pressure—also fell from a year-on-year rate of more than 24% in April and May of 2012 to less than 11% in July, the most recent monthly figure available. There have also been reports of further delays in implementing a long-expected regime of import tariffs that would add to consumer costs once implemented. Even with the expected tariffs,

Crude oil export volume also rose to post-1990 record levels.

FIGURE 4.10
CRUDE OIL PRODUCTION, IRAQ VS. IRAN AND SAUDI ARABIA, 8/2002–8/2012
MBPD



Source: IEA, information provided to SIGIR, 10/8/2012.

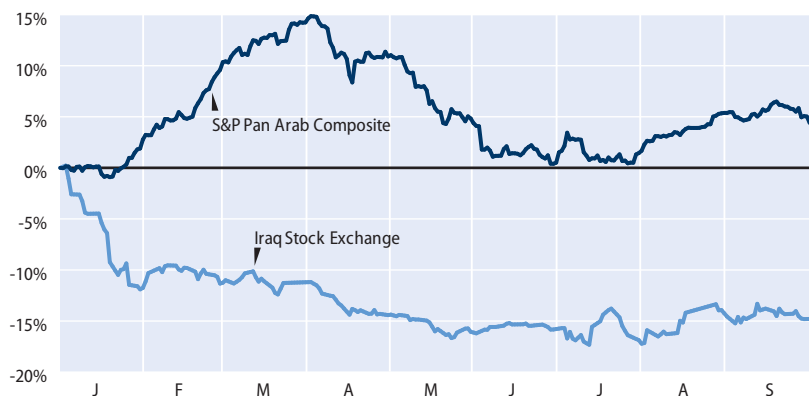
Iraq has now paid a total of \$37.6 billion to more than 100 governments and international organizations for distribution to 1.5 million claimants.

however, core inflation is expected to remain around 6% during 2012–2016.⁴²⁷

- **Currency and Interest Rates.** The Iraqi dinar remained stable this quarter, with the official exchange rate holding at 1,166 per U.S. dollar since it was revalued by a token amount of 4 dinars in January 2012. The unofficial market rate for the dinar also moved closer to the official rate.⁴²⁸ The CBI's policy interest rate was also unchanged at 6% for the 10th consecutive quarter.⁴²⁹
- **Stock Exchange.** As Figure 4.11 shows, the Iraq Stock Exchange (ISX) index rose marginally this quarter by just over 1%, but remained 15% lower for the year to date. Once the best-performing equities market in the Middle East region, the ISX so far in 2012 has been among the worst, as political uncertainty and the impact of ongoing slow bureaucratic decision making continue to dampen market sentiment. Participation of foreign investors remained well below levels seen through much of 2011, with their share of total trading volume accounting for 5% or less of the total for several weeks during the quarter. Between mid-2010 and the end of 2011, foreigners' share in total trading volume tended to fluctuate between 8% and 16%.⁴³⁰

- **Debt and Reserves.** The GOI continued its payment of war reparations related to Saddam Hussein's 1990 invasion of Kuwait with a transfer of \$1.3 billion to Kuwait on July 26, 2012. Iraq has now paid a total of \$37.6 billion to more than 100 governments and international organizations for distribution to 1.5 million claimants. About \$14.7 billion in claims remain to be paid, mainly to Kuwaiti claimants.⁴³¹ Even with these payments, Iraq's hard currency reserves held by the CBI remained at \$63 billion during the quarter.⁴³²
- **IMF Stand-By Arrangement (SBA).** The IMF this quarter approved a 7-month extension (to February 2013) of its \$3.58 billion Stand-By Arrangement (SBA) with the GOI. The SBA, effectively a lending facility, was first scheduled to expire in February 2012 and later extended through July 2012. Despite projected budget deficits, the GOI so far has not needed to draw on the SBA mainly because it has been unable to spend large percentages of ministerial capital budgets, resulting in annual surpluses.⁴³³ The key objectives of the SBA are to preserve Iraq's macroeconomic stability and to support Iraq's adoption of policies and measures to ensure sustainable growth and poverty reduction. The program focuses on modernizing Iraq's public financial management system; developing the financial sector, including enhancing CBI operations and restructuring the balance sheets of Iraq's two main state-owned banks; and ensuring transparency and accountability in the oil sector.⁴³⁴ According to the IMF, the extension will give the GOI more time to implement the policy measures needed to complete the IMF's combined third and fourth reviews of Iraq's progress in these areas.⁴³⁵

FIGURE 4.11
IRAQ STOCK EXCHANGE VS. S&P PAN ARAB COMPOSITE INDEX, 1/2012–9/2012
% Change



Note: The S&P Pan Arab indices include stocks from listed companies in the countries of Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Tunisia, and the UAE.

Sources: Standard & Poor's, "S&P Pan Arab-Indices," 12/2010, www.standardandpoors.com, accessed 10/4/2011; Standard & Poor's Indices Client Services, information provided to SIGIR, 1/3/2012, 4/3/2012, 7/2/2012, and 10/1/2012; Iraq Stock Exchange, "Indices," www.isx-iq.net/isxportal/portal/sectorProfileContainer.html?sectorid=1, accessed 10/2/2012.

Oil and Gas

Iraq set records for both crude oil production and exports, despite a reduced contribution from the Kurdistan Region for much of the quarter. A mid-September agreement between the GOI and KRG secured, at least for the short-term, the resumption of exports from the Region and the payment of oil companies working there. However, prospects remained uncertain for any compromise on long-delayed legislation that would set basic rules for Iraq's petroleum sector.⁴³⁶ For a more detailed discussion of the issues dividing the GOI and the KRG, see the Governance subsection of this Report.

In October, the International Energy Agency (IEA) published an assessment of Iraq's energy sector, including a set of three projected scenarios for its potential growth through the year 2035. In the central of these growth scenarios, IEA envisions Iraq investing \$530 billion in energy over the 23-year period to generate almost \$5 trillion in revenues. Under this scenario, between 2012 and 2020, Iraq would produce 45% of expected growth in the global supply of crude oil, become self-sufficient, and begin to export natural gas.⁴³⁷ For more on the IEA study, see Section 1 of this Report.

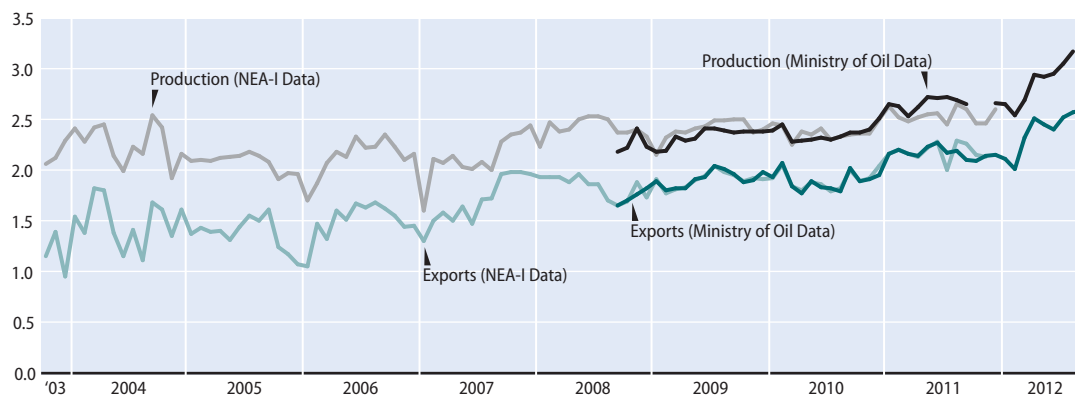
Crude Oil Production and Development

Oil production for the first two months of the quarter averaged 3.11 MBPD, an increase of 15% from the same two-month period in 2011 and more than 6% above the production rate of last quarter (see Figure 4.12). July's production of 3.05 MBPD marked the first monthly output exceeding the Ministry of Oil's 3.0 MBPD average production target for 2012, and August's output of 3.17 MBPD was the highest monthly production in more than two decades. The performance elevated the country to OPEC's second-largest producer. Iraq is one of just two OPEC member nations not limited by a production quota (the other is Libya), and Deputy Prime Minister Hussain al-Shahristani has declared his government will continue to produce as much crude oil as possible—even if global oil markets are oversupplied.⁴³⁸

Continuing the trend of recent quarters, the growth in output came mainly from the large southern fields—including al-Rumaila (BP-led), West Qurna-1 (Exxon-led), and al-Zubair (ENI-led)—which were able to increase production as a result of recent incremental expansion of export capacity. Among other southern fields, Halfaya also continued a gradual increase in production since coming on line in June 2012, registering an output

IEA envisions Iraq investing \$530 billion in energy over the 23-year period to generate almost \$5 trillion in revenues.

FIGURE 4.12
CRUDE OIL PRODUCTION AND EXPORTS, BY MONTH, 10/2003–9/2012
MBPD



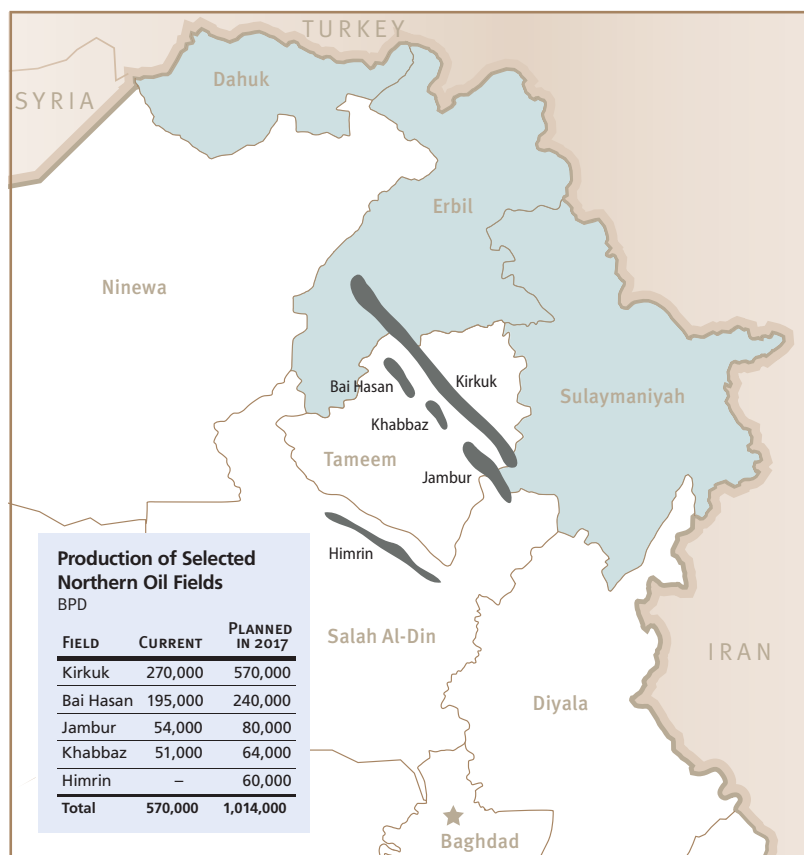
Sources: NEA-I, responses to SIGIR data calls, 6/4/2010, 7/6/2010, 1/11/2011, 4/5/2011, 7/7/2011, 10/17/2011, and 1/6/2012; GOI, Ministry of Oil, "Domestic Consumption," www.oil.gov.iq, accessed 4/23/2012 and 10/8/2012; GOI, Ministry of Oil, "Iraqi Oil Exports for September Elevate to 2.6 Million Barrels per Day," 10/13/2012, www.oil.gov.iq/moo/feeds.php?lang=en&page_name=news&id=491, accessed 10/13/2012.

The GOI's ability to meet a newly declared projected peak production of 9.5 MBPD by 2017 remains questionable.

of 86,000 barrels per day (BPD) this quarter on its way toward a year-end goal of 100,000 BPD. Shell said it expected to make its year-end production target of 175,000 BPD at the large Majnoon field.⁴³⁹

The GOI's ability to meet a newly declared projected peak production of 9.5 MBPD by 2017 remains questionable. The target represents a downward revision from an earlier goal of 12 MBPD, but independent petroleum experts have projected far lower totals. According to the October IEA report, achieving an output of 9 MBPD by 2020 would require matching the highest sustained growth in oil industry history. It suggests a level of just over 6 MBPD is more plausible.⁴⁴⁰

FIGURE 4.13
CURRENT AND PLANNED CRUDE OIL PRODUCTION AT FIVE NORTHERN FIELDS



Note: All locations approximate and do not imply endorsement or acceptance of any positions taken in territorial disputes.

Source: MEES, *Weekly Report*, Vol. 55 No. 34, 8/20/2012, p. 18.

Petroleum specialists cite low GOI ministerial technical capacity and bureaucratic delays that have slowed ministerial decision making for their more conservative projections. For example, the multibillion-dollar Common Seawater Supply Project, needed to boost production in the southern fields, was ready to be offered for competitive bidding nearly two years ago, but it was only in May 2012 that the Ministry of Oil invited 10 companies to bid. A \$170 million consultancy contract for the project was awarded in October 2012. The initial phase of the multi-year project was originally planned to be completed in 2013.⁴⁴¹

Meanwhile, output has been dropping in Iraq's northern fields, with production zones shrinking, geological structures breaking down, and well pressures dropping. This quarter, the GOI considered measures to reverse the decline of its main northern field at Kirkuk as part of a broader plan to nearly double overall production from five northern fields from their current 570,00 BPD to more than 1 MBPD by 2017 (see Figure 4.13).⁴⁴² The Erbil-based Iraqi company KAR, which operates the northern part of the Kirkuk field known as the Khurmala Dome, planned to begin seismic work to map underground oil reservoirs there this quarter as part of a separate effort to increase capacity.⁴⁴³

Fifth Licensing Round

The Ministry of Oil is expected to revise the contract terms for the fifth, but not yet scheduled, petroleum-licensing round to make them more attractive to large international oil companies. A Ministry of Oil critique of the May 30–31, 2012, fourth licensing round concluded that the proposed contract terms were responsible for the auction outcome. Just seven bids were received from the 39 prequalified companies, bidders showed no interest in 9 of the 12 oil and gas exploration blocks that were offered, and no bid was tendered by a major western international oil company.⁴⁴⁴

Crude Oil Exports and Capacity Expansion

The Ministry of Oil reported record crude oil exports that averaged 2.56 MBPD during the quarter—19% more than the same three-month period in 2011 and 4% higher than the previous quarter. It marked the highest export volume in decades. Although exports for the quarter remained below the 2.60 MBPD average for the year assumed in the GOI's 2012 budget, higher-than-projected crude oil market prices during this period generated receipts that remained ahead of budget estimates.⁴⁴⁵

Export growth was driven mainly by higher contributions from large southern fields. At the end of the quarter, just three fields—al-Rumaila, West Qurna-1, and al-Zubair—accounted for about three-quarters of Iraq's total exports. The increase was due to the activation of two additional single-point mooring stations (SPMs) in the Persian Gulf last spring and critically needed new onshore infrastructure, including a new pipeline linking a pumping station at al-Zubair with a crude oil storage facility at al-Faw. A resumption of exports from the Kurdistan Region led to an increase in northern exports.⁴⁴⁶ Figure 4.14 shows the growing disparity between the contribution of northern and southern fields to Iraq's total crude oil exports.

However, major work remains to be done for the southern fields to reach their full export potential.⁴⁴⁷

- Additional pumping-station capacity is required to increase the rate at which crude oil moves through the on-shore pipeline network connecting the oil fields with waiting tankers in the Persian Gulf. At present, the lack of this additional capacity means that each of the new SPMs can only operate at half of its 800,000 BPD design capacity.
- Much of the pipeline network is now 10–15 years beyond its planned working life, raising concerns about adding pipeline pressure to accelerate loading rates.

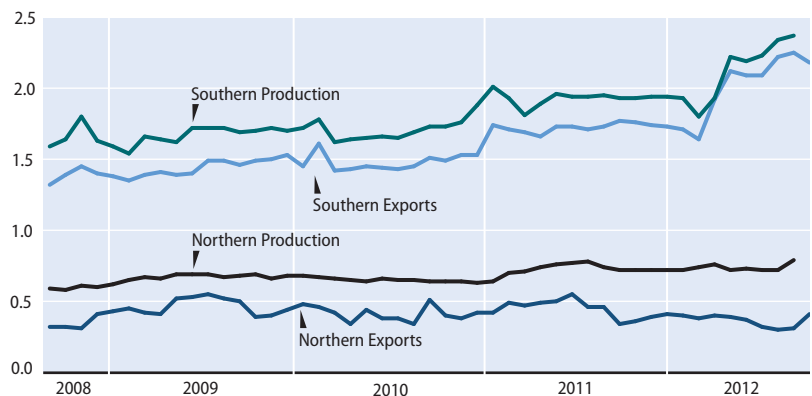
- With less than half the projected 8 million barrels of storage capacity at al-Faw completed so far, crude oil storage also remains a bottleneck.

Export growth was also helped by the KRG's decision in August to resume shipping crude oil temporarily via the Ministry of Oil's pipeline to the Turkish Mediterranean port of Ceyhan as a “confidence-building measure” to ease tensions in its dispute with the GOI over control of Kurdistan's petroleum, a step that led to a GOI-KRG agreement in September. The KRG halted exports in April 2012, claiming a lack of reimbursement from Baghdad and technical glitches, armed attacks, and maintenance closures of the Ceyhan pipeline initially slowed the resumption of exports.⁴⁴⁸ By end of the quarter, KRG exports to Ceyhan were running at about 140,000 BPD and rising quickly.⁴⁴⁹ For details of attacks on the Ceyhan pipeline, see the Security and the Rule of Law subsection of this Report.

KRG officials confirmed reports that a small, but politically significant, direct trade in petroleum transpired this quarter between the KRG and

Export growth was driven mainly by higher contributions from large southern fields.

FIGURE 4.14
CRUDE OIL EXPORTS AND PRODUCTION, NORTHERN VS. SOUTHERN FIELDS, 9/2008–9/2012
MBPD



Note: Oil produced in the Kurdistan Region is included in the data for northern exports but not included in the production data.

Sources: GOI, Ministry of Oil, “Domestic Consumption,” oil.gov.iq, accessed 10/11/2012, and “Iraqi Oil Exports for September Elevate to 2.6 Million Barrels per Day,” 10/13/2012, www.oil.gov.iq/moo/feeds.php?lang=en&page_name=news&id=491, accessed 10/13/2012.

Turkey, with the KRG shipping oil condensates to Turkey in return for refined product. The KRG disputes the GOI's position that the State Oil Marketing Organization has the sole right to export Iraq's oil, arguing that its direct trade with Turkey is legal as long as it is transparent and the revenue is shared with the GOI.⁴⁵⁰

Adjusting to shifting political realities on Iraq's borders, the GOI has reportedly decided to accelerate plans to build a new \$5 billion export pipeline with a capacity to carry 1 MBPD of crude oil from Iraq's northern oil fields and the Kurdistan Region west through Jordan to the Red Sea port of Aqaba. Such a route would reduce the importance of the pipeline that currently transports most of Iraq's northern crude oil through Turkey to Ceyhan. Although it has a theoretical capacity of 1.6 MBPD, years of neglect has reduced the northern pipeline's effective capacity to about 600,000 BPD. The GOI had been planning to expand the Kirkuk-Ceyhan pipeline. It has also shelved, at least temporarily, plans for a new 2.25 MBPD pipeline linking the northern fields to the Mediterranean via Syria, whose government has been in the throes of a prolonged insurrection.⁴⁵¹

Iraq currently exports the majority of its crude oil by sea through the Straits of Hormuz; however, security concerns and Iranian threats to close the waterway in retaliation for the imposition of international trade sanctions has accelerated Iraq's search for alternatives. Iraqi officials this quarter said they were reviewing the option of reviving a long-dormant export pipeline via Saudi Arabia to the Red Sea, although such an option would likely require improving the political relations between the two countries.⁴⁵²

The KRG this quarter announced plans to build a 1 MBPD capacity pipeline connecting oil fields in the semi-autonomous region directly to Turkey. The decision was apparently made without GOI participation. The pipeline would, for the first time, give the KRG a major export route for its crude oil that does not pass through GOI territory outside of the Region. The KRG is expected to put the project

out for tender next quarter, with completion scheduled for 2014.⁴⁵³

Refineries and Petroleum Products

The GOI said it was in preliminary discussions with Chevron Phillips Chemical Company (a joint venture between Chevron and ConocoPhillips) to build a large petrochemical plant in Basrah that would produce olefins and polyolefins. The complex, said to cost around \$20 billion, would be built in two stages and have a maximum capacity of 7 million tons per year. It was unclear how Chevron's decision to invest in the Kurdistan Region's crude oil sector despite GOI threats of retribution might affect the talks. The Basrah petrochemical complex is one of several downstream projects the GOI hopes to build to add greater value to its crude oil wealth and meet domestic demand for oil products. National Investment Commission (NIC) Chairman Sami al-Araji said there were currently plans to build four fertilizer plants, three urea plants, and a phosphate plant.⁴⁵⁴

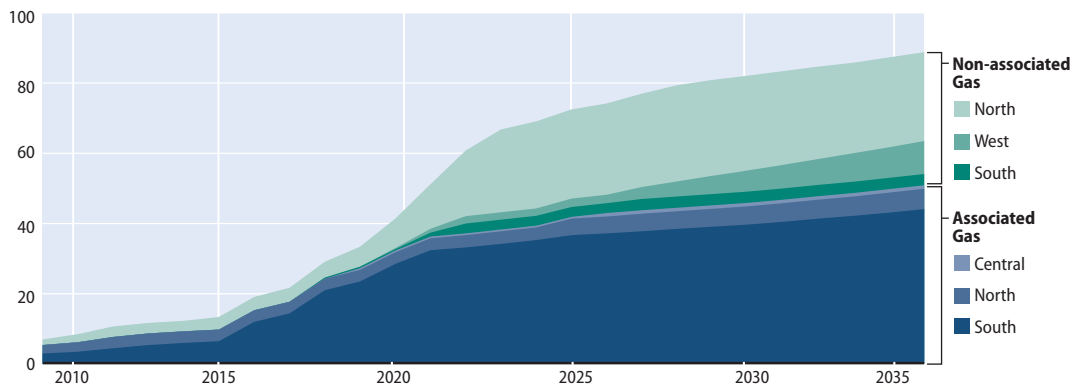
The Ministry of Oil announced this quarter that bidding had opened for the development of the Nassiriya oil field and an accompanying refinery. The announcement said the ministry would invite only prequalified contractors to bid.⁴⁵⁵ The GOI also has had long-standing plans to build four new oil refineries to double existing capacity to 1.5 million barrels per day. Despite improvements in the terms offered by the GOI for these projects over the past year, contracts have yet to be signed.⁴⁵⁶ IEA's October report has projected significant increases in Iraq's refinery capacity through 2035 under two of three growth scenarios.⁴⁵⁷

Natural Gas

Iraq produced an average of 1,838 million cubic feet per day (MCFD) of natural gas during the first two months of the quarter—1,374 MCFD in the south and 464 MCFD in the north. Iraq also set a new record for gas flaring, averaging 1,253 MCFD of gas during the first two months of the quarter, more than 7% above last quarter's average of

The KRG this quarter announced plans to build a pipeline connecting oil fields in the semi-autonomous region directly to Turkey.

FIGURE 4.15
IEA PROJECTION OF IRAQ GAS PRODUCTION, THROUGH 2035
 BCM per Year

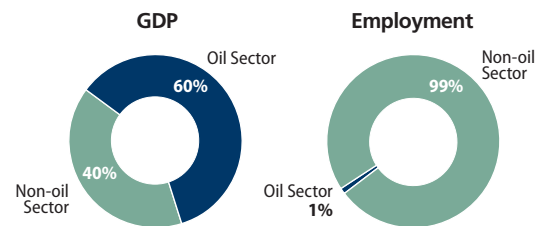


Note: Data reflects IEA "central scenario" estimates.

Source: IEA, *Iraq Energy Outlook*, 10/9/2012, p. 72.

1,167 MCFD. The southern oil fields account for the vast majority of the flaring.⁴⁵⁸ According to Deputy Prime Minister al-Shahrstani, the \$17 billion Shell-led project to capture associated gas currently flared at three of the southern oil fields is on schedule, and Iraq could eventually produce 90 billion cubic meters (BCM) per year of natural gas (equivalent to 8,707 MCFD).⁴⁵⁹ As shown in Figure 4.15, IEA's October report projects Iraq's production of natural gas will increase to almost 90 BCM by 2035 under IEA's central growth scenarios.⁴⁶⁰

FIGURE 4.16
PERCENTAGE OF GDP AND EMPLOYMENT, OIL SECTOR VS. NON-OIL SECTOR



Source: UN, IAU, "Sustainable Development, Green Economy and Oil and Gas in Iraq," 6/2012, iq.one.un.org/documents/469/Sustainable%20Development%20-%20English.pdf, accessed 10/9/2012.

Developments in Non-hydrocarbon Areas

National Development Plan

A \$275 billion GOI *National Development Plan* for 2013–2017 is now in the drafting stage. The plan calls for 50% more investment than Iraq's current development plan, which was to provide \$186 billion for 2010–2014. According to the GOI, the overarching goal of the new plan will be to diversify an economy that today is driven almost exclusively by crude oil income.⁴⁶¹ Economic diversification is important politically and socially because it is a key to

creating the jobs needed to reduce unemployment. Figure 4.16 compares the percentage of GDP and employment that come from the oil and non-oil sectors of the economy.

This quarter, the CoR considered legislation to support a 3-year \$30 billion-plus infrastructure-building program that includes provisions for the GOI to issue sovereign guarantees to back large loans required to finance Iraq's development of non-petroleum sectors of the economy. The absence of loan guarantees, coupled with an antiquated national banking system, has slowed development outside the hydrocarbon sector. The program includes:⁴⁶²

Economic diversification is important politically and socially because it is a key to creating jobs.

Iraq's telecommunications sector is one of the least developed in the Middle East.

- \$5 billion in spending on low-cost housing for the poor—up from an initial earmark of \$2 billion
- \$5 billion for schools and other education infrastructure
- \$12 billion for transportation, including new rail lines, airports, highways, and ports
- \$3 billion on hospitals and other healthcare facilities
- \$5 billion for water-related projects
- \$5 billion for the electricity sector

Communications

This quarter, Iraq's Communications and Media Commission levied fines of up to \$12,800 per day against Iraq's three mobile telephone providers for failing to meet an August 31, 2012, deadline to complete initial public stock offerings (IPOs) on the ISX. The three operators—Asiacell, Zain, and Korek—are obligated under the terms of their operating licenses to offer 25% of their stock to the public. Asiacell, which is owned by Qatar Telecom, this quarter became the first of the three mobile phone companies to gain membership to the ISX. Its IPO is expected before the end of 2012. Zain announced its IPO would take place in early 2013. All three providers have appealed the fines as they work to prepare for their IPOs. The GOI also

reportedly froze Zain's bank assets in connection with a demand the Kuwait-owned mobile provider pay \$262 million in unpaid fines levied for the alleged sale of Subscriber Identity Module (SIM) cards without prior permission from Iraq's telecom regulatory agency, the Communications and Media Commission.⁴⁶³

Iraq's telecommunications sector is one of the least developed in the Middle East. It is also one of the very few non-petroleum-based sectors of Iraq's economy viewed as having strong short- and medium-term growth potential, attracting commercial investors.⁴⁶⁴ Figure 4.17 shows the percentage of market penetration and the average revenue per user in selected Middle East countries.

It was not immediately clear how the resignation this quarter of Minister of Communications Tawfiq Allawi would affect the ministry's plans to award a fourth mobile phone operating license before the end of 2012.⁴⁶⁵ For details on this resignation, see the Governance subsection of this Report.

Transportation

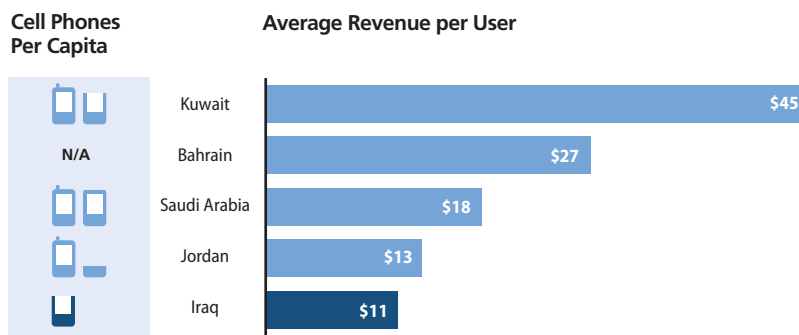
Railroads

The Iraqi Republic Railway Company inaugurated two U.S.-funded system upgrades, with a combined cost of \$65 million, in a formal ceremony this quarter. The U.S. projects provided the company with system-wide control over rail movements as well as microwave radio communications along rail lines running from Iraq's southern port city of Umm Qasr to the town of Rabeaa on Iraq's northwestern border with Syria.⁴⁶⁶

Aviation

This quarter, the CoM and CoR both approved a \$500 million agreement struck in principle earlier this year with Kuwait to resolve \$1.2 billion in outstanding claims against Iraqi Airways for the seizure of Kuwaiti aircraft following Saddam Hussein's 1990 invasion of the emirate. International acceptance of the claim's legitimacy had restricted efforts by Iraqi Airways to resume a service to key

FIGURE 4.17
MOBILE TELEPHONE MARKETS, SELECTED MIDDLE EAST COUNTRIES



Note: Market coverage in excess of 100% indicates cell phones per capita in the defined market exceeds 1.

Source: Dunia Frontier Consultants, *Iraq Market Tracker*, "Introduction to Iraqi Telecoms," 6/22/2012.

destinations, including London. Under the agreement, \$300 million will be paid directly to Kuwait, while \$200 million will be used to launch a new jointly owned Iraqi-Kuwaiti airline.⁴⁶⁷

Middle East regional airlines continued to add new commercial service to Iraq this quarter. Dubai-based Emirates began flights from Dubai to Erbil, while Bahrain-based Gulf Air resumed service to Iraq with flights to Baghdad, Basrah, Najaf, and Erbil. Iranian carrier Mahsan announced plans to begin a Tehran-Erbil service.⁴⁶⁸

Construction of the Kurdistan Region's third large commercial airport began this quarter in Dahuk province. Completion of Dahuk International Airport, now projected for 2015, would give international travelers direct air connections with each of the Region's three provinces. The other airports, at Erbil and Slemani (near Sulaymaniyah), currently have direct flights to more than 25 destinations in the Middle East, Europe, and Asia.⁴⁶⁹

Finance

The CoR this quarter considered draft legislation that would enable the GOI to provide sovereign guarantees—a legally binding commitment that the government will pay money owed to a contractor if the primary obligor defaults. If passed, the law would be a significant step toward resolving the problem of financing large infrastructure-development projects outside the petroleum sector. The GOI's reluctance to provide such backing until now has kept both international commercial banks and government-owned lending institutions, such as the U.S. Export-Import Bank, from playing a major role in financing Iraq's rebuilding efforts. With Iraq's domestic banks either unable or unwilling to issue large loans, funding sources for non-oil development has been largely restricted to international aid, private contractor funds, or GOI cash payments.⁴⁷⁰

With its priority mainly on crude oil development financed by international oil companies, the GOI has so far managed to grow the economy without a modern financial services sector. However, with large infrastructure projects now beginning to



Kurdistan Prime Minister Nechervan Barzani (at podium, right) presides over September 24, 2012, groundbreaking ceremony for a new airport in Dahuk. (KRG photo)

take off, including one million low-income housing units the GOI expects to build in the next several years, many smaller enterprises will need loans to facilitate supply of support goods and services.⁴⁷¹

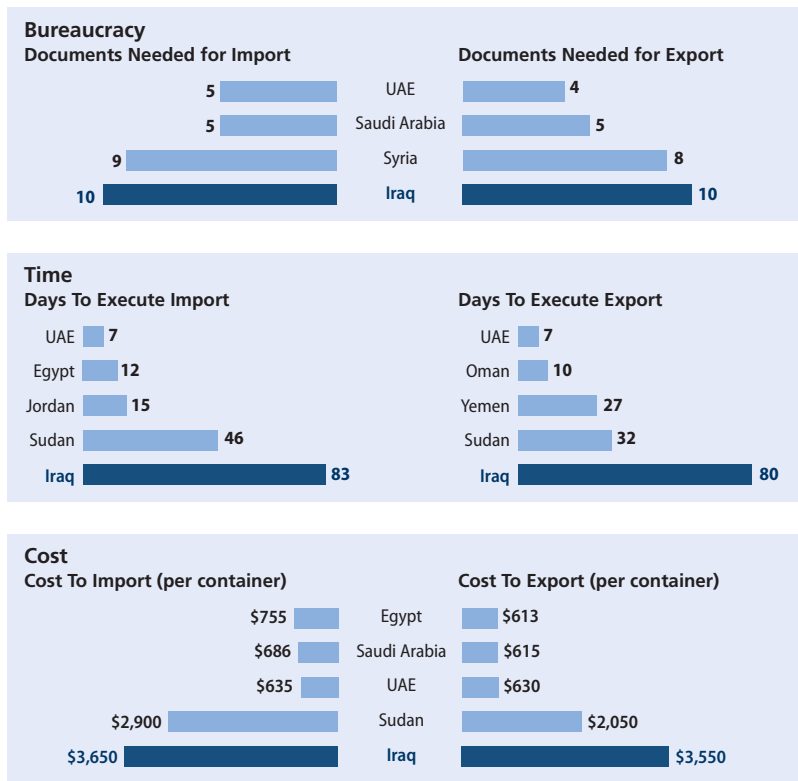
This quarter, the NIC reported that state-owned banks plan to offer home mortgages to the general public for the first time in Iraq. Without a credit bureau or other mechanism to assess a borrower's credit worthiness, initial home loans would be issued to government employees using their salaries as collateral.⁴⁷²

The "Iraq Finance 2012" conference, held in London in September, brought together senior GOI leaders responsible for financial issues and international capital market specialists to discuss steps required to regenerate Iraq's banking and financial services industry. Two state-owned banks, Rafidain and Rasheed, control 90% of the sector despite years of U.S. efforts to strengthen the small group of private banks. The conference produced several recommendations, including a proposal that Iraq's private sector banks play a larger role; however, there were few specifics on how to turn the recommendations into reality.⁴⁷³

The U.S. Department of the Treasury imposed sanctions this quarter against the Elaf Islamic Bank in Iraq for "facilitating significant transactions ... and financial services for designated Iranian

Middle East regional airlines continued to add new commercial service to Iraq this quarter.

FIGURE 4.18
FACTORS AFFECTING INTERNATIONAL TRADE IN IRAQ



Source: The World Bank, IFC, *Doing Business in the Arab World 2012*, doingbusiness.org/~media/FDPKM/Doing%20Business/Documents/Special-Reports/DB12-ArabWorld.pdf, p. 64, accessed 10/9/2012.

banks.” According to Treasury, the bank had conducted “tens of millions of dollars” in business with the Export Development Bank of Iran—an institution that both the United States and European Union named in 2010 as supporting Iran’s nuclear proliferation efforts. Treasury’s action bars the Iraqi bank from access to the U.S. financial system.⁴⁷⁴

Trade and Investment

This quarter, the GOI took steps to facilitate international participation in the country’s development. The NIC said it had worked with the National Security Council to simplify and accelerate the issuing of visas to employees of foreign companies operating or seeking to operate in the country. U.S.

The NIC said it had worked with the National Security Council to simplify and accelerate the issuing of visas to employees of foreign companies.

business executives reported some improvement in the visa-issuing process this quarter.⁴⁷⁵

Additionally, USAID signed an MOU with the Office of the Prime Minister to help Iraq reduce the regulatory obstacles for private-sector companies as part of the new Iraq Solution for Regulatory and Administrative Reform program.⁴⁷⁶ For program details, see Section 3 of this Report.

As Figure 4.18 shows, expensive and time-consuming import and export processes have made Iraq among the most difficult nations in the Arab world to trade with.

The U.S. Chamber of Commerce together with the U.S. Kurdistan Business Council organized a senior-level U.S. business delegation to the Kurdistan Region this quarter to meet with ministers in the KRG and learn more about investment opportunities in the semi-autonomous region. The trip included representatives from 30 U.S. companies and organizations and came after KRG officials expressed interest in attracting more U.S.-owned companies to the region. The Baghdad-based U.S. Business Council in Iraq added 5 new member companies this quarter, bringing its membership total to 20. The group plans to offer membership to about 10 Iraqi-owned companies with U.S. business interests.⁴⁷⁷ Figure 4.19 shows some of the commercial agreements concluded in Iraq during the first two months of this quarter.

Notwithstanding these measures to make business in Iraq easier, the ongoing political uncertainty and security problems remain significant deterrents.⁴⁷⁸

Housing and Commercial Development

This quarter, the NIC announced major foreign investment opportunities connected to plans for redeveloping the former al-Rasheed Iraqi military base on the southern outskirts of Baghdad into a modern urban community that would include 50,000–70,000 housing units, shopping centers, cultural event areas, a medical school, and a 60,000-seat stadium.⁴⁷⁹

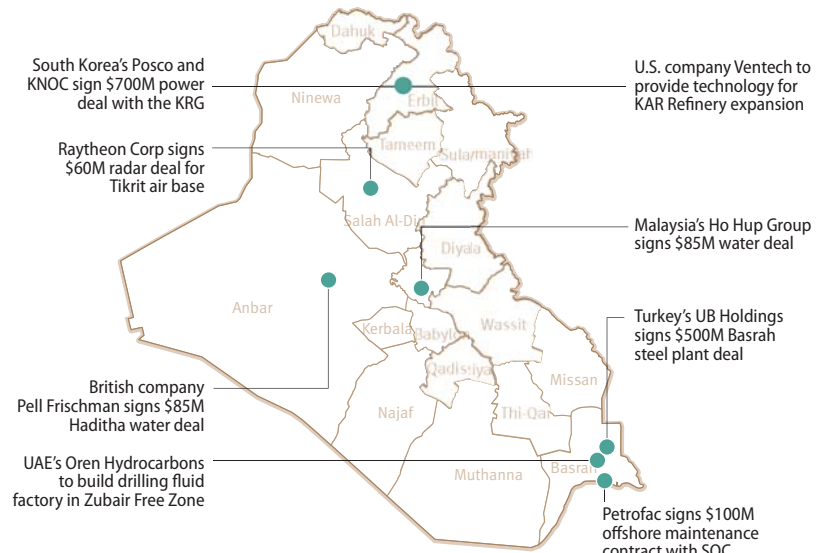
GOI entities awarded contracts for several housing projects this quarter, including:⁴⁸⁰

- a \$185 million deal with the Kurdistan-based KAR Engineering and Construction Co. to build just over 2,000 housing units in northern Baghdad
- a \$180 million contract awarded to the Iraqi company Al-Faheem General Contracting for construction of 2,000 homes in a western Baghdad neighborhood
- a \$247 million contract with Italy's Consorzio Stabile Italia 2010 (agreed in June) for construction of 2,000 residential units in Diwaniyah

State-owned Enterprise Reform

The state-owned enterprise (SOE) working group of the Prime Minister's Task Force for Economic Reform this quarter allocated \$65 million to GOI ministries to prepare 30 selected enterprises to become more attractive commercial investment targets. With limited expertise within GOI ministries for such a task, the funds are expected to be used mainly to engage international consultants to develop specific reform plans. The World Bank, United Nations Industrial Organization, and USAID are planning to support the effort. The CoR has so far failed to act on draft legislation setting a legal framework for private equity investments in the so-called public-private-partnerships with the SOEs.⁴⁸¹ ♦

FIGURE 4.19
INTERNATIONAL INVESTMENT ACTIVITY, SELECTED CONTRACTS,
7/1/2012–8/30/2012



Source: U.S. Chamber of Commerce/Dunia Frontier Consultants, "Iraq Business Activity and Investment Opportunities," 9/2012, p. 4.

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SECTION

5

SIGIR LESSONS LEARNED

Iraq Reconstruction: Lessons from Auditing U.S.-funded Stabilization and Reconstruction Activities

In October 2012, SIGIR published *Iraq Reconstruction: Lessons from Auditing U.S.-funded Stabilization and Reconstruction Activities*. A key aspect of SIGIR's work has been to capture lessons learned from the Iraq experience that could be applied to other contingencies, including Afghanistan, and those that may arise in the future. In July 2008, SIGIR issued an initial audit capping report that identified key recurring systemic management issues. This report builds on that prior work and documents lessons learned from the SIGIR Audit Directorate's experience from 2004 through 2012. The numerous problems uncovered in SIGIR's audits contributed significantly to reduced program effectiveness and increased potential for fraud, waste, and abuse. If the causes and effects of these problems are not fully understood—and if actions are not taken to forestall their recurrence—then similar negative outcomes could resurface in future stability and reconstruction operations (SROs).

During the course of conducting 217 audits of reconstruction and stabilization programs, contracts, grants, and other activities, SIGIR identified a number of critical deficiencies in reconstruction planning, implementation, and oversight. The problems ranged from the absence of assessments on the security situation and the risks to life and construction projects such as dangerous conditions posed, to inadequate internal controls that would ensure that the U.S. received the goods and services it was buying and at a reasonable price. These problems adversely affected the efficiency and effectiveness of U.S. assistance and contributed to creating a climate where fraud, waste, and abuse could occur.

The principal lessons learned from such failings are provided below.

1. **A Successful Reconstruction Program Requires a Balancing of Security, Political, and Economic Interests**
 - a. Risks of violence must be assessed at the outset of reconstruction activities.
 - b. Risks to human life must be weighed against potential outcomes.
 - c. Costs and benefits of initiating projects requiring high security costs must be carefully weighed.
2. **An Integrated Management Structure That Provides Clear Lines of Authority on Program Coordination and Delivery of Projects Is Critical for SRO Success**
 - a. Defining roles and missions of all involved U.S. agencies is a necessary prerequisite for effective reconstruction planning.
 - b. Programs require management accountability and effective coordination to avoid waste.
3. **An Integrated U.S. Reconstruction Management Information System Is Critical To Promote Accountability**
4. **Managing Staffing Needs and Reducing Staff Turnover Is Vital for Effective Program Implementation and Oversight**
 - a. Obtaining the required number of skilled personnel is essential in managing reconstruction during an SRO.
 - b. Reducing turnover of contract and program management personnel is necessary for effective management.

5. **Enhanced Oversight of Contracts, Grants, and Other Procurements in SROs Is Necessary To Avoid Fraud and Waste and To Promote Efficiency**
 - a. Advance planning reduces opportunities for fraud, waste, and abuse to occur.
 - b. Reviews of contractor invoices and audits of final incurred costs are necessary to ensure payments are correct.
 - c. Close oversight of deliverables and inventory is required to oversee compliance to contract and to deter loss and theft.
 - d. Close oversight of cash transactions is necessary to deter fraud and abuse.
 - e. Grants awarded in SROs require stronger oversight than those awarded in peaceful areas.
 - f. Maintaining comprehensive contract and project records is crucial to effective oversight.
6. **Reconstruction Programs Need Clear and Measurable Goals and Objectives**
7. **Working Closely with Host Governments Is Essential to the Long-term Success of U.S. Investments in Reconstruction Projects**
 - a. Host governments must be involved in identifying sustainable reconstruction priorities and needs.
 - b. Obtaining host-government cost sharing is the best way to ensure long-term sustainment.
8. **Accountability and Oversight of Private Security Contractors Is Vital in Politically Sensitive Contingency Operations**
 - a. Establishing core standards and immediately investigating possible breaches are essential steps in ensuring that use of private security contractors does not adversely affect the mission.
 - b. Obtaining an accurate accounting of private security contractor costs is essential for planning and budgeting operations.
9. **Linking an Inspector General's Authority to the Mission, Rather Than Funding, Is Critical To Ensure Complete Coverage ♦**

SIGIR AUDITS

Since March 2004, SIGIR has issued 217 audit reports. From August 1 to October 30, 2012, SIGIR issued three audits addressing the following reconstruction issues:

- the effectiveness and sustainability of U.S. government corrections and judicial reform efforts in Iraq
- Department of State (DoS) management of the Quick Response Fund (QRF) in 2007 and 2008
- U.S. Army Corps of Engineers (USACE) accounting for, and management of, \$2.4 billion in Iraqi Development Fund for Iraq (DFI) monies

For a list of these audit products, see Table 5.1.

SIGIR’s three ongoing, and final, audits are scheduled to be issued in January 2013. The first audit is addressing the lessons derived from managing Iraqi reconstruction funds, and the second audit addresses the lessons learned from implementing the Commander’s Emergency Response Program. Finally, SIGIR is conducting an audit to determine how the more than \$60 billion appropriated or otherwise made available for Iraq relief and reconstruction has been spent. SIGIR is performing these audits under generally accepted government auditing standards.

SIGIR Audits Completed This Quarter

Sustaining the Progress Achieved by U.S. Rule of Law Programs in Iraq Remains Questionable
(SIGIR 13-001, 10/2012)

Introduction

Between 2003 and June 2012, the United States government spent about \$560.3 million to develop and reconstitute the corrections and judicial components of the Rule of Law (RoL) system in Iraq. RoL in a modern state comprises, among other things, a constitution, a legislature, a court system, police, prisons, due process and equal protection under the law, a commercial code of laws, and meaningful anticorruption systems. U.S. government entities—including DoS, the Department of Justice (DoJ), the Department of Defense (DoD), and the U.S. Agency for International Development (USAID)—as well as international agencies and others, have provided assistance to the Government of Iraq (GOI) in developing a new RoL system. DoS’s Bureau of International Narcotics and Law Enforcement Affairs (INL) managed

TABLE 5.1
SIGIR AUDIT PRODUCTS SINCE 8/1/2012

REPORT NUMBER	REPORT TITLE	DATE ISSUED
13-001	Sustaining the Progress Achieved by U.S. Rule of Law Programs in Iraq Remains Questionable	10/2012
13-002	Final Review of State Department’s Management of Quick Response Funds In 2007 and 2008	10/2012
13-003	Development Fund for Iraq: U.S. Army Corps of Engineers Has Missing Receiving Reports and Open Task Orders	10/2012

the overall effort. INL assistance efforts chiefly focused on three functional RoL areas: corrections programs, judicial programs, and police training. This report examines the major corrections and judicial programs implemented by DoJ, INL, and USAID. SIGIR performed this audit to determine the programmatic and financial status of the corrections and judicial programs in Iraq.

Results

The corrections and judicial systems in prewar Iraq were corrupt, supporting Saddam Hussein's brutal regime. Initial postwar assessments in 2003 found the systems in chaos, with facilities destroyed, personnel ill-equipped to carry out the mission, and corruption rampant across the government.

Since 2003, INL has spent about \$209.3 million to develop and establish an effective corrections system, reform pretrial detention programs, and modernize the prisons. For the most part, this effort was led by DoJ. According to DoJ officials SIGIR interviewed, the Iraqi Corrections Service (ICS) has progressed from near non-existence into a functional institution requiring minimal technical assistance and mentoring. Correctional system facilities appear to be operated in a safe and humane manner, in accordance with standardized operating procedures, and overseen by trained and experienced correctional managers. The Iraqi Deputy Minister of Justice, who oversees the ICS, complimented DoJ's efforts to improve the service and to provide assistance to the ministry. A DoJ end-of-mission report provided an extensive summary of the eight-year effort, documenting what was accomplished.

During the same period, INL spent about \$197.9 million to develop the Iraqi judiciary, establish judicial security, and reform court administration. USAID started a program in 2010 to educate the Iraqi people on their access to the justice system, particularly for the disadvantaged. SIGIR requested reports on the INL-funded judicial programs, similar to the one that DoJ prepared for the corrections program, but

received just two reports on relatively small initiatives because INL officials do not consider any other RoL programs complete. However, many of the interagency agreements that funded the programs have ended, and reports on the program at the end of the agreement could provide insights into the program at that point in time. Absent end-of-program and end-of-mission reports on these programs, there is no documented means to know the success of the U.S. initiatives, such as the extent to which U.S. agencies completed the tasks they were given, how the funding was used, and what successes and challenges were documented as the program progressed. As a result, SIGIR was unable to conduct any meaningful analysis to determine the effectiveness of the programs.

SIGIR did find some evidence that INL's programs contributed to a reasonably well-functioning judicial system in Iraq. But lasting institutional reform of the judicial system—and the entire RoL system—is a generational undertaking, requiring a sustained commitment by the GOI to ensure effective progress.

Recommendations

SIGIR makes three recommendations to the Assistant Secretary of State for International Narcotics and Law Enforcement Affairs:

1. Require an end-of-program report for all INL-funded assistance programs at the end of each interagency agreement or other funding mechanism.
2. Require an end-of-mission report, comparable to the end-of-mission report for the corrections program, at the end of each mission.
3. Retain those reports centrally for future use.

Management Comments

The Department of State provided written comments, stating that it concurred with the report's findings and recommendations. Management comments are included in the final report, which can be found on the SIGIR website: www.sigir.mil.

Final Review of State Department's Management of Quick Response Funds in 2007 and 2008

(SIGIR 13-002, 10/2012)

Introduction

In April 2011, SIGIR issued an audit on DoS management of the QRF program, which was implemented between 2007 and 2011 at a total cost of about \$258.2 million. DoS initiated the program to provide Provincial Reconstruction Teams (PRT) in Iraq with a flexible means to pay for local projects that supported community-based leaders and local Iraqi organizations and institutions to improve access to public services, employment, and education. The PRT program was a U.S.-led, civil-military effort to assist Iraq's provincial and local governments to govern effectively and deliver essential services. DoS spent QRF funds through grants, microgrants, direct procurements, and micropurchases. DoS expended much of its QRF funds in the early years of the program. DoS's Bureau of Near Eastern Affairs-Iraq (NEA-I) was responsible for the QRF program.

In the April 2011 audit, SIGIR reported that recordkeeping on fund use and project results and outcomes for micropurchases made in 2007 and 2008 was poor, and that documentation in seven project files suggested possible fraud. SIGIR recommended that NEA-I improve its recordkeeping and review all micropurchases initiated during 2007–2008 to determine if other examples of possible fraud, waste, and abuse exist.

For SIGIR's follow-up audit, issued in April 2012, NEA-I officials stated that they had located almost all documentation that SIGIR found missing from the official files, and that their review of payment vouchers did not indicate that any fraudulent transactions had occurred. However, the officials did not directly address the seven instances of possible fraudulent activities that SIGIR had found.

Because there was no evidence that NEA-I had reviewed and assessed the identified cases of possible fraud, SIGIR initiated this review.

Results

SIGIR examined documentation on 185 judgmentally selected micropurchases initiated during 2007–2008 that were collectively valued at about \$3.5 million. From the available records, SIGIR could generally determine how funds were intended to be used but could not assess whether all of the goods and services were actually purchased, received, or transferred to beneficiaries.

Of the 185 files documenting the micropurchases, 157 contained project proposals that described items to be purchased, cost estimates, invoices, and various forms used to document the receipt and use of cash. A few of the files contained additional information, such as handwritten receipts in Arabic, and photos of completed projects (such as attendees at a training seminar). Most of the files also contained forms signed by multiple PRT officials describing and attesting to the receipt and use of QRF cash.

Despite the existence of forms documenting the receipt and planned use of funds and other project details, the absence of information on the results of the sampled projects makes it difficult to determine if the QRF funds were actually used as intended. In its review, SIGIR found that 90 of the 185 micropurchases (or about 49%) lacked such information. As a consequence, for those 90 cases, which totaled \$1.63 million, SIGIR cannot be certain that individuals used the cash they received to purchase goods and services and that the intended beneficiaries of these goods and services actually received them.

For the other 95 micropurchases (or 51%), SIGIR found project results in the form of emails, memoranda, photographs, and other written information. Among these, SIGIR also found that written project results for seven micropurchases questioned whether some purchases were made and ultimately received by Iraqi beneficiaries. In response to SIGIR's request that NEA-I officials examine these seven micropurchases for possible fraudulent actions, the officials stated that without further documentation, they were unable to determine whether fraud actually took place. Furthermore, because the

QRF program has ended and the PRTs are closed, they cannot find the personnel involved with those questioned micropurchases to make inquiries. Finally, they stressed that the lack of documentation does not mean that fraud occurred.

This review again demonstrates the vulnerability of cash transactions to theft and misuse and the need to be vigilant in ensuring that the intended purpose of the cash payments is actually achieved. While DoS took some measures to enhance its oversight and documentation of activities toward the end of the program, earlier activities appear to have suffered from a lack of sufficient internal controls. Specifically, DoS may never know what it got out of those micropurchases made in the early years because of the lack of documentation showing that the goods or services were delivered. Consequently, it is highly possible that some portions of QRF funds were not used as intended.

Recommendations

This report contains no recommendations.

Lesson Learned

Requisite internal controls must be included in the design of any cash-transaction assistance program. Attempts to institute them after activities have begun may be too late to ensure that the transactions are not vulnerable to fraud, waste, and abuse.

Management Comments

The Department of State provided written comments that included the steps taken to address SIGIR's concerns. Management comments are included in the final report, which can be found on the SIGIR website: www.sigir.mil.

Development Fund for Iraq: U.S. Army Corps of Engineers Has Missing Receiving Reports and Open Task Orders

(SIGIR 13-003, 10/2012)

Introduction

The Coalition Provisional Authority (CPA) was established in May 2003 to provide for the temporary governance of Iraq. United Nations Security Council Resolution 1483 created the DFI and assigned the CPA full responsibility for managing it. The DFI comprised revenues from Iraqi oil and gas sales, certain remaining Oil for Food deposits, and repatriated national assets. It was used, in part, for Iraq relief and reconstruction efforts.

In 2003, the CPA committed to restoring Iraq's oil and electricity infrastructures, both of which suffered from neglect under Saddam Hussein's regime and the Iraq war. USACE was assigned responsibility for managing the restoration activities known as Restore Iraqi Oil (RIO) and Restore Iraqi Electricity (RIE). USACE received about \$2.4 billion in DFI funds for reconstruction activities and administered four major DFI-funded contracts—one oil and three electricity.

SIGIR initiated this audit to determine whether: (1) USACE properly accounted for the \$2.4 billion in DFI funds it received for reconstruction activities in Iraq, (2) USACE properly managed the contract closeout process for the DFI-related task orders that it administered, and (3) contractors completed work as planned under the DFI-funded contracts.

Results

USACE did not establish effective internal controls to document that goods and services paid for using DFI funds were received in Iraq. SIGIR sampled 12 DFI payments, totaling about \$1.1 billion, made to USACE and found that two key financial documents—public vouchers and vendor invoices—were in the payment files. However, a third key document—the receiving report—was missing from more than 95% of the files. Receiving reports

document the government's inspection and acceptance of products delivered or services performed. Missing receiving reports involved commodities vulnerable to fraud and theft, such as fuel, televisions, and vehicles. SIGIR has not concluded that fraud or theft occurred, but the absence of receiving reports raises questions.

Fuel deliveries alone accounted for \$1.3 billion (54.2%) of the \$2.4 billion in DFI funds that USACE received for reconstruction activities in Iraq. Instead of using the required receiving reports to document fuel deliveries in Iraq, USACE officials told SIGIR that they maintained a fuel delivery log book. However, the log book is missing. In the absence of receiving reports and the fuel delivery log book, USACE has no evidence that shows whether fuel products paid for with DFI funds were received. This problem was compounded by the lack of metered trucks to document how much fuel was being delivered and the proliferation of fuel delivery points from 12 official sites to more than 100 sites. A Defense Contract Audit Agency report noted that, due to these two conditions alone, the contractor had no way to confirm fuel deliveries and to establish a basis for paying the subcontractor. However, USACE officials noted that fuel was delivered by military-escorted convoys, which they believe decreased the probability of fraud or theft, and that there is no evidence that theft occurred.

USACE has not been able to determine the status of the DFI monies because key financial audits of contractors have not been completed. Without these audits, USACE cannot close out these contracts and task orders and assess whether the contractor owes the U.S. government money,

whether the U.S. government owes the contractor money, and ultimately, whether the U.S. government needs to return unused DFI funds to the GOI. The six RIO task orders that SIGIR reviewed have been closed, and the three RIE task orders remain open, although the work was completed almost eight years ago. To date, USACE has returned \$17.7 million in unused DFI funds to the GOI and, pending closeout of the RIE task orders, there may be more money to return.

The RIO and RIE work was completed in 2004 and, for the most part, work performed under the non-fuel-related task orders that SIGIR reviewed was successfully completed. Construction work on one RIO task order was terminated before completion. However, USACE awarded two new contracts to complete the projects and paid for them with U.S.-appropriated funds rather than DFI funds.

Recommendations

SIGIR recommends the Secretary of Defense direct the Chief of Engineers, USACE, and the Director, Defense Contract Audit Agency, to work together to:

1. Take those actions necessary to expedite the incurred cost audits and contract close-out procedures for the three RIE DFI-funded task orders.
2. Return any unused DFI funds to the GOI.

Management Comments

The Department of State provided written comments, stating it concurred with SIGIR's recommendations. Management comments are included in the final report, which can be found on the SIGIR website: www.sigir.mil. ♦

SIGIR INVESTIGATIONS

The SIGIR Investigations Directorate continues to actively pursue allegations of fraud, waste, and abuse in Iraq, with 77 active investigations. During this reporting period, SIGIR had 1 investigator assigned in Baghdad; 12 investigators in offices in Pennsylvania, Florida, Texas, Oklahoma, Missouri, and California; and 5 investigative personnel at SIGIR headquarters in Arlington, Virginia. Investigative accomplishments this quarter included 5 indictments, 3 convictions, and 1 sentencing.

FIGURE 5.1
SIGIR CONVICTIONS, BY AFFILIATION OF WRONGDOER, AS OF 9/30/2012

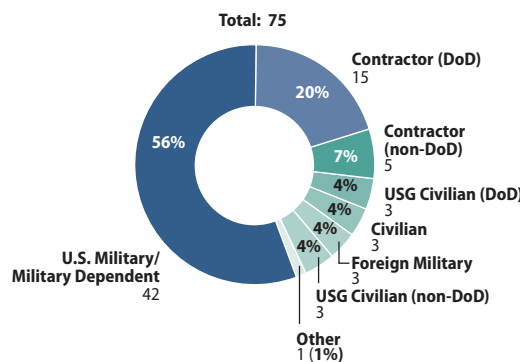
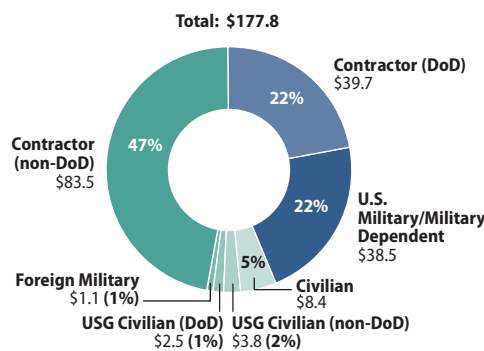


FIGURE 5.2
SIGIR INVESTIGATIONS MONETARY RESULTS, BY AFFILIATION OF WRONGDOER, AS OF 9/30/2012
\$ Millions



Note: Numbers affected by rounding.

As of October 30, 2012, the work of SIGIR investigators had resulted in 97 indictments, 75 convictions, and more than \$180 million in fines, forfeitures, recoveries, restitution, and other monetary results. For SIGIR convictions, by affiliation of wrongdoer at the time of criminal activity, see Figure 5.1. For the monetary results of SIGIR investigations, by affiliation of wrongdoer, see Figure 5.2.

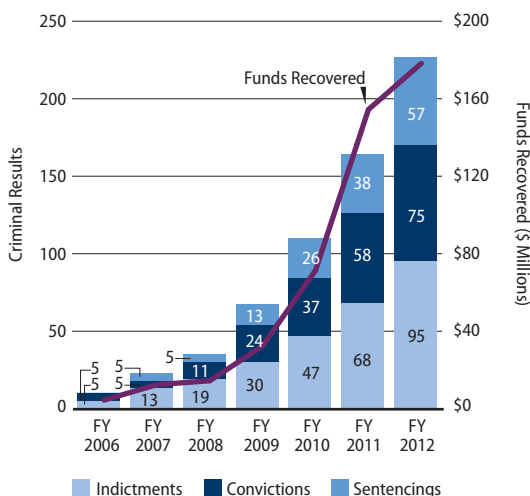
Investigative accomplishments this quarter also included 4 suspensions, 7 proposals for debarment, and 7 debarments. As of September 30, 2012, the work of SIGIR investigators had resulted in 96 suspensions, 149 proposals for debarment, and 110 debarments.

This quarter, SIGIR continued to conduct a number of significant criminal investigations related to Iraq reconstruction and to work closely with prosecutors, U.S. partner investigative agencies, coalition partner investigators, and law-enforcement personnel from other countries. As a result of these investigations, 19 defendants were awaiting trial, and an additional 16 defendants were awaiting sentencing at the end of the quarter. Figure 5.3 shows the cumulative number of judicial actions and monetary results resulting from SIGIR's investigations. With prosecutors currently handling a substantial number of additional cases, this trend is expected to continue. For a comprehensive list of convictions compiled by the Department of Justice (DoJ), see Table 5.2 at the end of this subsection.

SIGIR notes these investigative activities this quarter:

- A former chief of party for the United States Institute of Peace was charged and pled guilty to wire fraud conspiracy, and a co-conspirator was charged and arrested in Great Britain.
- A former co-owner of a government contracting company was charged and pled guilty to fraud charges.

FIGURE 5.3
SIGIR INVESTIGATIONS CRIMINAL RESULTS AND FUNDS RECOVERED, CUMULATIVE TO DATE, BY FISCAL YEAR



- A U.S. Army master sergeant was charged and pled guilty to defrauding the U.S. government.
- A former U.S. Army officer was indicted and arrested for theft of government property.
- Two U.S. contractors were sentenced for conspiring to defraud the U.S. government.
- A former employee of a U.S.-based construction firm was sentenced in a kickback conspiracy.
- A U.S. Army captain was charged with conspiring to accept illegal gratuities.
- A former U.S. Army sergeant was re-indicted, arrested, and pled guilty to receiving stolen cash from Iraq.

Former USIP Chief of Party Pleads Guilty to Wire Fraud Conspiracy; Co-conspirator Arrested in Great Britain

On August 6, 2012, the criminal information and subsequent guilty plea of Robert N. Boorda, the former chief of party in Baghdad for the United States Institute of Peace (USIP), were unsealed by the U.S. District Court for the District of Columbia. Boorda was charged by information on September 19, 2011, with one count of conspiring to commit wire fraud, and he pled guilty to the

charge on October 7, 2011. According to plea documents, Boorda admitted that, from about April 2009 through about June 2009, he and the owner of a security-services contracting firm conspired to enrich themselves through Boorda's recommendation that USIP award a \$1.165 million contract for the lease of a villa in Baghdad and security services to that company at a fraudulently inflated price. For his role, Boorda received a purported consulting and marketing agreement with the company for a monthly fee of \$20,000 for the term of the USIP contract. Boorda admitted that he concealed this agreement from USIP. According to plea documents, some of that fee was made possible by representing to USIP headquarters that the villa owner would not agree to a monthly rental payment of less than \$22,000, when the owner had actually agreed to \$13,000.

An arrest warrant was issued for Boorda's co-conspirator, the owner of the security-services firm, as the result of an eight-count sealed indictment by a grand jury for the U.S. District Court for the District of Columbia. The charges included wire fraud and gratuities conspiracy, wire-fraud scheme, agreement to pay a gratuity to a public official, and payment of a gratuity to a public official. The contractor was arrested on July 6, 2012, by British law-enforcement authorities and is currently awaiting extradition to the United States to face charges.

This case is being prosecuted by a trial attorney on detail from SIGIR to the Fraud Section of DoJ's Criminal Division. The case was investigated by SIGIR and Department of State Office of the Inspector General (DoS OIG).

Former Co-owner of Contracting Company Pleads Guilty to Defrauding the Government

On August 9, 2012, Jill Charpia, former co-owner of a U.S. civilian contracting company, pled guilty before the U.S. Magistrate for the Western District of Texas in San Antonio, Texas, to a criminal information charging her with one count of providing false statements to a government agency in

connection with Iraq reconstruction government contracts.

From 2008 through 2009, according to court documents, Charpia was the co-owner of Sourcing Specialists, LLC, a privately owned company that contracted with the U.S. government to provide services in Iraq. In September 2008, her company contracted to provide a turnkey housing facility located outside Iraq's International Zone to facilitate the introduction of multinational firms desiring to develop business opportunities in Iraq. That same month, Charpia signed and submitted to the Department of Defense (DoD) Joint Contracting Command-Iraq/Afghanistan a false invoice, purportedly for mobilization costs, in the amount of \$1,270,075.40 for payment through the contract. She followed up with two invoices: one representing that she had paid \$700,000 for the rental of two villas in Baghdad, and the other representing that she had paid \$570,075.50 for the purchase of three armored vehicles from an Iraqi company. In October 2008, as a result of her false and fraudulent statements, DoD caused \$1,270,075.50 to be wired to Charpia's bank account. Charpia admitted that she fabricated both invoices and forged the signatures on the documents. She also admitted that she did not purchase any armored vehicles and paid only half the submitted cost for the villas.

At sentencing, scheduled for December 20, 2012, Charpia faces a maximum penalty of five years in prison, a maximum fine of the greater of \$250,000 or twice the pecuniary gain or loss, and up to three years of supervised release. As part of her plea agreement, Charpia agreed to pay \$920,000 plus interest in restitution to the United States.

This case is being prosecuted by a trial attorney on detail from SIGIR to the Fraud Section of DoJ's Criminal Division and the U.S. Attorney's Office for the Western District of Texas. The case is being investigated by SIGIR, the Internal Revenue Service-Criminal Investigation (IRS-CI), and U.S. Army Criminal Investigation Command-Major Procurement Fraud Unit (CID-MPFU).

U.S. Army Master Sergeant Charged and Pleads Guilty to Defrauding U.S. Government

On August 29, 2012, retired U.S. Army Master Sergeant Julio Soto, Jr., pled guilty in the U.S. District Court of South Carolina to a criminal information charging him with one count of conspiracy to accept illegal gratuities.

According to court documents, Soto was deployed to Forward Operating Base (FOB) Hammer in Iraq as a field ordering officer (FOO). FOO funds are used to purchase miscellaneous items and supplies, such as paint, lumber, and plywood, from local vendors. It is a violation of federal law for FOOs to accept gratuities from contractors dependent on them for contracts.

In or about March 2007 through October 2008, Soto, along with an alleged U.S. Army co-conspirator, was involved with the construction of a government building at FOB Hammer by local Iraqi contractors. Soto and his alleged co-conspirator unlawfully sought, received, and accepted illegal gratuities for helping Iraqi contractors gain U.S. government contracts, and then purchased U.S. postal money orders with the illegal proceeds and mailed them back to the United States.

At sentencing, Soto faces a maximum penalty of five years in prison, a fine of the greater of \$250,000 or twice the pecuniary gain or loss, and up to three years of supervised release. As part of his plea agreement, Soto agreed to pay \$62,542 plus interest in restitution to the United States.

This case is being prosecuted by a trial attorney on detail from SIGIR to the Fraud Section of DoJ's Criminal Division and the U.S. Attorney's Office for the District of South Carolina. The case is being investigated by SIGIR, the Defense Criminal Investigative Service (DCIS), and Army CID-MPFU.

Former Army Officer Indicted for Theft of Government Property

On August 15, 2012, a former U.S. Army captain was arrested in Los Angeles, California following the return of an indictment in Texas alleging

wire fraud, theft of government property, money laundering, and false statements in connection with his military service in Iraq. He was charged in a nine-count federal indictment, returned July 30, 2012, and unsealed after his arrest by SIGIR and DCIS special agents in Los Angeles, California.

According to the indictment, the former captain was deployed to Iraq as an artillery officer in late 2006. While there, he was designated as a pay agent with responsibilities to receive receipts and invoices from Iraqi contractors who worked at Forward Operating Base Justice in performing jobs for the U.S. Army. He was responsible for processing the invoices to be sure they were properly paid.

The former captain allegedly changed or caused to be changed certain invoices by increasing the total amount due for the invoice. The indictment alleges he then paid the contractor the original invoice amount and kept the difference in cash. After leaving Iraq in late 2007, and following his arrival in Germany, he allegedly deposited some of the money into bank accounts in Germany and instructed certain amounts to be sent via wire transfer to his account in the United States. As a result of the scheme he created, the indictment alleges he stole approximately \$110,000.

If convicted on all charges, he faces maximum fines of up to \$250,000 per count and prison sentencing as follows:

- up to 20 years for each of the two counts of wire fraud
- 10 years for each of three counts of theft of government property
- 10 years for each of two counts of money laundering
- 5 years for each of two counts of making false statements

The investigation is being conducted by SIGIR and DCIS.

Two U.S. Contractors Sentenced for Conspiring To Defraud U.S. Government

On October 9, 2012, Gaines Newell, Jr., was sentenced in U.S. District Court for the Northern District of Alabama to 27 months in prison followed by 3 years supervised release, ordered to pay restitution of \$861,027 to the U.S. Army Corps of Engineers (USACE) and \$241,088 to the IRS, and ordered to pay a special assessment of \$200. In addition, the judge issued a forfeiture notice against Newell in the amount of \$861,027 to be applied against his restitution. On October 10, 2012, Billy Joe Hunt was sentenced in the same district to 15 months in prison followed by 3 years supervised release and ordered to pay restitution of \$66,212 to the IRS and forfeit \$236,472. The sentences are the result of guilty pleas by Newell and Hunt to conspiring to commit the federal offenses of kickbacks, wire fraud, and mail fraud, and to filing false tax returns.

According to court documents, USACE's Huntsville Engineering and Support Center awarded a prime contract in connection with the Coalition Munitions Clearance Program (CMCP) to Newell and Hunt's company, an international engineering and construction firm headquartered in Pasadena, California. The CMCP worked to clear, store, and dispose of weapons that were seized or abandoned in Iraq from 2003 through November 2008. Ahmed Kazzaz, a British citizen, paid more than \$947,500 in unlawful kickbacks to Newell (the prime contractor's program manager) and Hunt (the deputy program manager) to obtain lucrative subcontracts for himself and his company, Leadstay.

Beginning in or about March 2006, Kazzaz entered into a kickback agreement with Newell and Hunt, who arranged for the award of subcontracts to Kazzaz and Leadstay to provide materials, heavy equipment, and equipment operators for the CMCP. Kazzaz also obtained multiple funding increases to those subcontracts. From April 2006 through August 2008, Kazzaz and Leadstay

received more than \$23 million in U.S. funds for services under the CMCP.

Kazzaz pled guilty on May 21, 2012, to the federal offenses of conspiracy, kickbacks, wire fraud, and mail fraud, and he is scheduled to be sentenced on October 29, 2012.

The case is being prosecuted by a trial attorney on detail from SIGIR to the Fraud Section of DoJ's Criminal Division and the U.S. Attorney's Office for the Northern District of Alabama.

The case was investigated by SIGIR, DCIS, IRS-CI, the Federal Bureau of Investigation (FBI), and Army CID-MPFU.

Former Employee of U.S. Construction Firm Sentenced in Iraq Reconstruction Kickback Conspiracy

On September 12, 2012, Ismael Salinas was sentenced in U.S. District Court, Houston, Texas, for receiving hundreds of thousands of dollars in illegal kickbacks from subcontractors in Iraq. Salinas was sentenced to time served (9 months), 2 years of supervised release, a fine of \$7,500, forfeiture of \$807,904, and a special assessment of \$300.

On October 1, 2010, Salinas, a former employee of a U.S. construction company, pled guilty to a criminal information filed in U.S. District Court for the District of New Mexico that charged him with conspiracy to defraud the United States by accepting kickbacks from subcontractors whom he helped to get contracts on government building projects in Iraq between April 2005 and March 2008. According to court documents, between 2004 and 2008, Salinas arranged for subcontracts—awarded by the construction company and paid by the U.S. government—to be inflated by the kickback amounts that he was to receive. Salinas overbilled DoD by \$847,904, taking at least \$424,000 in kickbacks from six companies. Salinas admitted to using his position with the construction company to give subcontracts to certain businesses and to rate their performance highly in return for money. Salinas said that he would also have the subcontractors submit inflated invoices,

but accept less money so he could take some of the difference—much of which he smuggled back into the United States

This case continues and is being conducted jointly by SIGIR, DCIS, and the FBI.

U.S. Army Captain Charged with Conspiring To Accept Illegal Gratuities While Serving in Iraq

On October 4, 2012, a U.S. Army captain was charged in a two-count criminal information filed in U.S. District Court, Oklahoma City, Oklahoma with conspiracy.

According to court documents, the captain served in Baghdad from November 2007 to January 2009 working with U.S. government pay agents and Iraqi contractors on U.S.-funded projects. During this time, two Iraqi contractors offered gratuities to the captain in exchange for official acts performed in connection with the contracting process. One of the contractors offered gratuities and favors, including approximately \$25,000 in cash payments, in exchange for the captain assisting on an Iraqi construction contract. The captain was also offered jewelry, a vacation to a private island, and approximately \$10,000 in cash payments in exchange for influence and ability to steer generator contracts to one of the contractors. The direct cash payments and the value of the jewelry received by the captain from the two contractors totaled approximately \$45,000. The captain sent the money in envelopes through the mail to his ex-wife in Louisiana.

Additionally, the captain allegedly provided one of the contractors with the login and password information for an email account assigned to the unit for Pay Agents to receive and review bids. Access to the email account allowed the contractor to review bids submitted by other contractors.

The case is being prosecuted by a trial attorney on detail from SIGIR to the Fraud Section of DoJ's Criminal Division and the U.S. Attorney's Office for the Western District of Oklahoma.

The case is being investigated by SIGIR, DCIS, and Army CID-MPFU.

Former U.S. Army Sergeant Re-indicted, Arrested, and Pleads Guilty to Receiving Stolen Cash from Iraq

On August 3, 2012, Daniel Hutchinson, a former U.S. Army sergeant, was arrested as the result of an April 13, 2012, one-count indictment for receiving more than \$12,000 in stolen cash from Iraq. Hutchinson was placed in a Pretrial Diversion (PTD) program by the U.S. District Court, Los Angeles, California, on October 21, 2011; however, he did not comply with the PTD provisions and was subsequently re-indicted.

According to court documents, the money had been stolen by another U.S. Army soldier who was deployed to Tallil, Iraq, in 2008, and mailed to Hutchinson. The funds were a cash payment for pickup by a local contractor who failed to appear for the payment. The cash was then stolen, concealed in a stuffed animal, and sent through the U.S. postal system to Hutchinson in California. Hutchinson pled guilty on September 14, 2012, and is scheduled to be sentenced on November 26, 2012. The investigation into this case continues. The case is being investigated by SIGIR, DCIS, Army CID-MPFU, and the FBI.

Other Agency Investigations

Former USACE Employee Pleads Guilty to Bribery and Kickback Scheme

On September 7, 2012, John Alfy Salama Markus, a former USACE employee deployed to Tikrit during Operation Iraqi Freedom admitted taking at least \$3.7 million in bribes and kickbacks in connection with more than \$50 million in USACE contracts awarded to foreign companies in Gulf Region North, Iraq. Markus pled guilty in U.S. District Court, Newark, New Jersey, to three counts of a 54-count indictment returned in July 2011 charging him with wire fraud, conspiracy to commit bribery and to defraud the U.S. government, money laundering, and tax offenses. Two other

USACE employees and two foreign contractors also were charged in the July 2011 indictment.

According to court documents, from July 2007 to June 2008, Markus accepted at least \$3.7 million in bribe and kickback payments in connection with USACE contracts awarded to multiple companies associated with two foreign contractors named in the indictment. From September 2005 to July 2008, Markus was assigned to Tikrit as a project engineer, where he and a coworker were involved in the review and award process for USACE contracts in the Gulf Region North District and also in the administration, oversight, and modification of such contracts.

Markus admitted that he and the coworker participated in a scheme to provide favorable official action and assistance to co-conspirators for the benefit of their associated companies, including by obtaining and disseminating confidential bid and internal USACE pricing information to individuals seeking the award of contracts to their companies and by approving lucrative payments for these companies. All of these actions were taken in exchange for bribes and kickbacks that Markus and the coworker accepted from foreign contractors.

Markus opened or established control over multiple foreign bank accounts in Jordan and Egypt to receive illegal bribe and kickback payments that he took from foreign contractors in connection with the USACE contracts. He created, maintained, and sent via email to foreign contractors spreadsheets and other records detailing the value of USACE contracts awarded, the percentage of those contracts that Markus solicited and demanded, the payments (whether by installment or lump sum) made to Markus by foreign contractors, and in some cases, the date on which these illegal payments were accepted in cash or deposited into Markus's foreign bank accounts. A spreadsheet created by Markus in July 2008 reflected his demand and acceptance of bribe payments from a co-conspirator totaling \$1,958,500, or 10% of the value of a contract awarded to the company al-Fahal and its partner companies for the construction

of segments of the Baghdad-to-Baiji Pipeline. As part of the scheme, Markus used the foreign bank accounts under his control to receive and transfer bribe and kickback payments from foreign contractors to at least 11 bank accounts opened, established, and controlled by Markus in New Jersey and Pennsylvania. Markus also transferred bribe and kickback money to a co-conspirator.

Markus also admitted that, with the proceeds of his wire-fraud scheme and bribery offenses, he paid for the construction of a custom-built home in Nazareth, which was worth approximately \$1,110,000. Markus admitted that on October 16, 2008, the date of settlement, he obtained a cashier's check, drawn on a Bank of America account, of approximately \$850,807.54 made out to a title company in connection with the construction of the Nazareth home.

Markus also admitted that, for calendar year 2009, he failed to file with the U.S. Department of the Treasury a Report of Foreign Bank and Financial Accounts (FBAR), disclosing that he had a financial interest in, and signature and other authority over, certain financial accounts in foreign countries, including Jordan.

Markus agreed to the entry of a forfeiture money judgment in the amount of at least \$3.7 million, a portion of which will be satisfied by forfeiture of his Nazareth residence, as well as five vehicles and two motorcycles.

The wire-fraud count to which Markus pled guilty is punishable by a maximum penalty of 20 years in prison and a fine of the greater of \$250,000 or twice the gross pecuniary loss or gain. The money laundering is punishable by up to 10 years in prison and a fine of the greater of \$250,000 or twice the gross pecuniary loss or gain, but not more than twice the amount of the criminally derived property involved in the transaction. The FBAR count to which Markus pled guilty is punishable by up to five years in prison and a fine of not more than \$250,000. Sentencing is scheduled for January 8, 2013.

This case is being conducted by DCIS, IRS, Immigration and Customs Enforcement, and Army CID-MPFU.

SIGPRO Update

Under the SIGIR Prosecutorial Initiative (SIGPRO), which began in late 2009, SIGIR has hired highly experienced prosecutors and detailed them as a unit to the Fraud Section of DoJ's Criminal Division to prosecute SIGIR investigation cases. These prosecutors are firmly ensconced at DoJ with full dockets of criminal fraud matters emanating from the Iraq reconstruction effort. They handle their own DoJ caseloads and work closely with SIGIR's General Counsel and other DoJ prosecutors assigned to SIGIR cases. They are currently leading or significantly involved in a host of prosecutorial matters and continue to play integral roles in the development and prosecution of cases being worked by the SIGIR Investigations Directorate. In line with SIGIR reductions in staff, the SIGPRO unit now comprises two prosecutors and one legal analyst.

Suspensions and Debarment

Since December 2005, SIGIR has worked closely with DoJ, Army CID-MPFU, DCIS, and the Army Legal Services Agency's Procurement Fraud Branch (PFB) to suspend and debar contractors and government personnel for fraud or corruption within the Army, including those involved in Iraq reconstruction or Army support contracts in Iraq. These cases arise as the result of criminal indictments filed in federal district courts and allegations of contractor irresponsibility that require fact-based examination by the Army's Suspension and Debarment Official. This quarter, the Army suspended 9 contractors based on allegations of fraud in Iraq and Kuwait. In addition, the Army proposed 10 contractors for debarment and finalized

1 debarment of individuals and companies during that same period based on fraudulent activity in Iraq and Kuwait.

The Army has suspended 176 individuals and companies involved in sustainment and reconstruction contracts supporting the Army in Iraq and Kuwait since 2003, and 212 individuals and companies have been proposed for debarment, resulting in 165 finalized debarments that range in duration from 9 months to 10 years. PFB is aggressively pursuing additional companies and

individuals associated with fraud related to Army contracts in Iraq, Kuwait, and other locations in Southwest Asia, with additional suspension and debarment actions projected during 2012. Suspension and debarment actions related to reconstruction and Army support-contract fraud in Afghanistan are reported by the Special Inspector General for Afghanistan Reconstruction (SIGAR). For a list of debarments, see Table 5.3. For a complete list of suspensions and debarments, see Appendix F. ♦

TABLE 5.2
CONVICTIONS (AS COMPILED BY THE DEPARTMENT OF JUSTICE)

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Daniel Hutchinson	Receiving stolen funds from Iraq	9/14/2012	Pending
John Markus	Wire fraud, money laundering, and failure to report foreign bank and financial accounts	9/7/2012	Pending
Julio Soto	Conspiracy to accept illegal gratuities	8/29/2012	Pending
Jill A. Charpia	Providing false statements to a government agency	8/9/2012	Pending
Robert N. Boorda	Conspiracy to commit wire fraud	8/6/2012	Pending
Crystal Martin	Conspiracy and money laundering	6/25/2012	Pending
Richard Evick	Conspiracy, bribery, money laundering, and obstructing an agency proceeding	6/25/2012	Pending
Ahmed Kazzaz	Conspiracy, kickbacks, wire fraud, and mail fraud	5/21/2012	Pending
Nicole Luvera	Theft of government property	5/17/2012	Pending
Billy Joe Hunt	Conspiracy and filing false tax returns	5/8/2012	15 months in prison; 3 years supervised release; \$66,212 in restitution to the IRS; \$200 special assessment; and forfeiture of \$236,472
Gaines Newell, former DoD contractor employee	Conspiracy and filing false tax returns	4/10/2012	27 months in prison; 3 years supervised release; \$1,102,115 restitution (\$861,027 to USACE and \$241,088 to the IRS); \$200 special assessment; and forfeiture of \$861,027
Maj. Christopher G. Bradley, USA	Gratuities	4/9/2012	6 months in prison; 1 year supervised release; \$20,000 restitution; and \$200 special assessment
David J. Welch, former DoD contractor employee	Conspiracy to steal government property	4/2/2012	2 years in prison; 3 years supervised release; and \$160,000 restitution
Capt. Michael G. Rutecki, USA	Gratuities	3/7/2012	3 years probation; \$10,500 restitution; \$2,000 fine; and \$100 special assessment
Sgt. Amasha M. King, USAR	Conspiracy to defraud	2/14/2012	3 months in prison; 5 years probation; \$20,500 restitution; and \$100 special assessment

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NAME	CHARGES	DATE OF CONVICTION	SENTENCE
John F. Hayes	Conspiracy	11/10/2011	5 months in prison; 2 years supervised release; and \$12,000 restitution
Brian D. Cornell	False statements	10/27/2011	3 months confinement; 2 years supervised release; \$1,000 fine; and \$100 special assessment
Robert A. Nelson, former USA sergeant	Conspiracy to steal public property	10/5/2011	4 years probation with the first 6 months in home confinement; \$44,830 restitution; and \$100 special assessment
Thomas A. Manok, former USACE employee	Conspiracy	9/19/2011	20 months in prison; 3 years supervised release; forfeiture of \$73,500; and \$100 special assessment
Tamimi Global Company LTD	Kickbacks	9/16/2011 (Deferred Prosecution Agreement (DPA))	\$13 million to resolve criminal and civil allegations
Eric Scott Hamilton, USMC gunnery sergeant	Conspiracy	8/10/2011	18 months in prison; 3 years supervised release; and \$124,944 restitution
Francisco Mungia III	Conspiracy	7/22/2011	4 months in prison; 3 years supervised release; and \$30,000 restitution
Barry S. Szafran	Illegally receiving a gratuity	7/15/2011	1 year probation with the first 4 months in home confinement; \$7,169 restitution; and \$100 special assessment
Justin W. Lee, former DoD contractor	Conspiracy, bribery	7/15/2011	Pending
Derrick Shoemake, retired USA lieutenant colonel	Bribery	6/13/2011	41 months in prison; 2 years supervised release; forfeiture of \$68,100; and \$181,900 restitution
David Pfluger, former USA Lt. Col.	Conspiracy, accepting gratuities, and converting the property of another to his own use	3/25/2011	18 months in prison; 3 years supervised release; and \$24,000 restitution
Charles Bowie, retired USA major	Engaging in monetary transactions in property derived from specified unlawful activity	5/11/2011	2 years in prison; 3 years supervised release; \$400,000 restitution; and \$100 special assessment
Eddie Pressley, former USA major	Bribery, conspiracy to commit bribery, honest services fraud, money laundering conspiracy, engaging in monetary transactions with criminal proceeds	3/1/2011	12 years in prison; 3 years supervised release; and forfeiture of \$21 million, real estate, and several automobiles
Eurica Pressley, former contractor and military spouse	Bribery, conspiracy to commit bribery, honest services fraud, money laundering conspiracy, engaging in monetary transactions with criminal proceeds	3/1/2011	6 years in prison; 3 years supervised release; and forfeiture of \$21 million, real estate, and several automobiles
Richard Razo, former DoS contractor and DoS employee	Wire fraud, wire fraud conspiracy	2/28/2011	33 months in prison; 2 years supervised release; \$106,820 restitution; and \$200 special assessment
Maj. Kevin Schrock, USA	Money laundering	2/8/2011	3 years probation; and \$47,241 restitution
Osama Ayesh, former U.S. Embassy-Baghdad employee	Theft of public money, engaging in acts affecting a personal financial interest	2/2/2011	42 months in prison; 36 months supervised release; \$243,416 restitution; and \$5,000 fine
Capt. Bryant Williams, USA	Honest services fraud, accepting bribes	12/17/2010	3 years in prison; 3 years supervised release; forfeiture of \$57,030; and \$200 special assessment
Mark Carnes, USAF master sergeant	Bribery	12/16/2010	20 months in prison; 3 years supervised release; and \$4,000 fine
Michelle Adams, former DoD contractor	Bribery	12/7/2010	15 months in prison followed by supervised release
Frankie Hand, Jr., retired USN lieutenant commander	Fraud, bribery, and receiving illegal gratuities	12/7/2010	3 years in prison and forfeiture of \$757,525

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SIGIR OVERSIGHT

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Peter Dunn, former DoD contractor	Bribery	11/19/2010	14 months in prison and 2 years supervised release
Louis Berger Group	Major fraud statute	11/5/2010 (DPA)	\$18.7 million in criminal penalties; civil settlement of \$50.6 million; full restitution to USAID; adopt effective standards of conduct, internal control systems, and ethics training for employees; and employ an independent monitor to evaluate and oversee the companies compliance with the DPA for 2 years
Salvatore Pepe	Conspiracy to defraud	11/5/2010	Pending
Precy Pellettieri	Conspiracy to defraud	11/5/2010	Pending
Maj. Roderick Sanchez, USA	Bribery	10/27/2010	5 years in prison; 3 years supervised release; and \$15,000 fine
Maj. Richard Harrington, USMC	Receiving illegal gratuities	10/18/2010	1 year and 1 day in prison; and restitution
Lt. Col. Bruce Gillette, USAR	Acts affecting a personal financial interest	10/6/2010	1 year probation; \$2,000 fine; 160 hours community service; and inability to possess a firearm
Mariam Steinbuch, former USMC staff sergeant	Bribery	10/5/2010	5 years probation and \$25,000 restitution
Ismael Salinas	Kickbacks	10/1/2010	9 months in prison (time served); 2 years supervised release; \$7,500 fine; forfeiture of \$807,904; and \$300 special assessment
Dorothy Ellis	Conspiracy	9/2/2010	37 months in prison; 3 years probation; and \$360,000 restitution
Wajdi Birjas, former DoD contract employee	Bribery, money laundering	8/11/2010	Pending
Maj. Mark Fuller, USMC	Structuring financial transactions	8/4/2010	1 year and 1 day in prison; \$198,510 fine; and \$200 special assessment
Maj. Charles Sublett, USA	False statements	7/7/2010	21 months in prison; 2 years supervised release; and forfeiture of \$107,900 and 17,120,000 in Iraqi dinar
Capt. Faustino Gonzales, USA	Receipt of a gratuity by a public official	6/24/2010	15 months in prison; 1 year supervised release; \$10,000 fine; \$25,500 restitution; and \$100 special assessment
MSGT Terrance Walton, USMC	Bribery, graft, failure to obey a direct order	5/17/2010	Reprimand; reduction in rank from E-8 to E-3; \$65,000 fine; and 62 days confinement
Capt. Eric Schmidt, USMC	Wire fraud, filing a false federal tax form	5/17/2010	72 months in prison; 3 years probation; and \$2,150,613 restitution
William Collins, USA civilian	Bribery	4/21/2010	42 months in prison; 3 years supervised release; \$1,725 fine; and forfeiture of \$5,775
SFC Ryan Chase, USA	Illegal gratuities, money laundering, false statements	4/21/2010	1 year and 1 day in prison; 2 years probation; and \$1.4 million restitution
Marcus McClain	Acceptance of illegal gratuities	4/15/2010	Pending
Kevin A. Davis	Acceptance of illegal gratuities	4/13/2010	Pending
Janet Schmidt, contractor and military spouse	Filing a false tax return and fraud	3/18/2010	1 year home confinement; 3 years probation; and \$2,150,613 restitution
Terry Hall, contractor	Conspiracy, bribery	2/17/2010	39 months in prison; 1 year supervised release; and forfeiture of \$15,757,000
Theresa Russell, former USA staff sergeant	Money laundering	1/28/2010	5 years probation and \$31,000 restitution

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NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Capt. Michael D. Nguyen, USA	Theft and structuring financial transactions	12/7/2009	30 months in prison; 3 years supervised release; \$200,000 restitution; and forfeit his interest in all personal property bought with the stolen money as well as the remaining funds seized by the government at the time of his arrest
Ronald Radcliffe	Bribery and money laundering	10/16/2009	40 months in prison and \$30,000 fine
Joselito Domingo	Bribery	11/19/2009	39 months in prison; 2 years supervised release; and \$70,000 fine
Gloria Martinez	Bribery and conspiracy	8/12/2009	5 years in prison
Robert Jeffery	Conspiracy and theft	8/11/2009	4 years in prison
William Driver	Money laundering	8/5/2009	3 years probation, to include 6 months home confinement, and \$36,000 restitution
Nyree Pettaway	Conspiracy to obstruct justice	7/28/2009	1 year and 1 day in prison; 2 years supervised release; and \$5 million restitution
Michel Jamil	Conspiracy	7/27/2009	40 months in prison
Robert Young	Conspiracy and theft of government property	7/24/2009	97 months in prison; 3 years supervised release; forfeiture of \$1 million; and \$26,276,472 restitution
Samir Itani	Conspiracy	7/21/2009	2 years in prison; 3 years supervised release; \$100,000 fine; and \$100 special assessment
Tijani Saani	Filing false tax returns	6/25/2009	110 months in prison; 1 year supervised release; \$1.6 million fine; and \$816,485 restitution to the IRS
Diane Demilta	Wire fraud	5/27/2009	6 months in prison; 12-month house arrest; 2 years supervised release; \$20,000 fine; and \$70,000 restitution
Benjamin R. Kafka	Misprision of a felony	5/18/2009	Pending
Elbert W. George III	Theft of government property; conspiracy	5/18/2009	60 days intermittent confinement; 2 years supervised release; forfeit \$103,000; and pay jointly and severally with co-conspirator Roy Greene \$52,286.60 restitution
Roy Greene, Jr.	Theft of government property; conspiracy	5/18/2009	3 years supervised release; forfeit \$103,000; and pay jointly and severally with co-conspirator Elbert George \$52,286.60 restitution
Frederick Kenvin	Conspiracy	4/30/2009	3 years probation and \$2,072,967 restitution
Stephen Day	Conspiracy to defraud the United States by misrepresentation	4/13/2009	3 years probation; \$41,522 restitution; and \$2,000 fine
Jeff Alex Mazon, contractor, KBR	Major fraud against the United States and wire fraud	3/24/2009	1 year probation; 6 months home confinement; and \$5,000 fine
Carolyn Blake, Sister of Maj. John Cockerham	Conspiracy and money laundering	3/19/2009	70 months in prison; 3 years of supervised release; and \$3.1 million restitution
Michael Carter, Project Engineer, Force Protection Industries	Violating the Anti-Kickback Act	1/25/2009	61 months in prison and 3 years supervised release
Harith al-Jabawi, contractor	Conspiracy, bribery, and false statements	1/22/2009	Pending
Maj. Christopher Murray, USA contracting officer	Bribery and false statements	1/8/2009	57 months in prison; 3 years supervised release; and \$245,000 restitution
Maj. Theresa Baker, USAR contracting officer	Conspiracy and bribery	12/22/2008	70 months in prison and \$825,000 restitution

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SIGIR OVERSIGHT

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Col. Curtis Whiteford, USAR Senior Official, CPA-South Central Region	Conspiracy, bribery, and wire fraud	11/7/2008	5 years in prison; 2 years supervised release; and \$16,200 restitution
Lt. Col. Michael Wheeler, USAR CPA reconstruction advisor	Conspiracy, bribery, wire fraud, interstate transportation of stolen property, and bulk cash smuggling	11/7/2008	42 months in prison; 3 years supervised release; \$1,200 restitution; and \$100 special assessment
David Ramirez, contractor, Readiness Support Management, Inc.	Bulk currency smuggling and structuring transactions	10/9/2008	50 months in prison; 3 years supervised release; and \$200 special assessment
Lee Dubois, contractor, Future Services General Trading and Contracting Company	Theft of government property	10/7/2008	3 years in prison and repayment of \$450,000 that represented the illegal proceeds of the scheme
Robert Bennett, contractor, KBR	Violating the Anti-Kickback Act	8/28/2008	1 year probation and \$6,000 restitution
Maj. James Momon, Jr., USA contracting officer	Conspiracy and bribery	8/13/2008	Pending
Lt. Col. Debra M. Harrison, USA Acting Comptroller for CPA-South Central Region	Conspiracy, bribery, money laundering, wire fraud, interstate transportation of stolen property, smuggling cash, and preparing false tax returns	7/28/2008	30 months in prison; 2 years supervised release; and \$366,640 restitution
Capt. Cedar Lanmon, USA	Accepting illegal gratuities	7/23/2008	1 year in prison and 1 year supervised release
Jacqueline Fankhauser	Receipt of stolen property	6/30/2008	1 year probation; 180 days home confinement; 104 hours community service; \$10,000 fine; and \$100 special assessment
Maj. John Lee Cockerham, Jr., USA contracting officer	Bribery, conspiracy, and money laundering	6/24/2008	210 months in prison; 3 years of supervised release; and \$9.6 million restitution
Melissa Cockerham, Wife of Maj. John Cockerham	Conspiracy and money laundering	6/24/2008	41 months in prison; 3 years of supervised release; and \$1.4 million restitution
Lt. Col. Levonda Selph, USAR contracting officer	Conspiracy and bribery	6/10/2008	12 months in prison; 3 years supervised release; \$5,000 fine; and \$9,000 restitution
Raman International Corp.	Conspiracy and bribery	6/3/2008	\$500,000 fine and \$327,192 restitution
Capt. Austin Key, USA contracting officer	Bribery	12/19/2007	2 years confinement; 2 years supervised release; \$600 assessment; and forfeit \$108,000
Maj. John Rivard, USAR contracting officer	Bribery, conspiracy, and money laundering	7/23/2007	10 years in prison; 3 years supervised release; \$5,000 fine; and \$1 million forfeiture order
Kevin Smoot, Managing Director, Eagle Global Logistics, Inc.	Violating the Anti-Kickback Act and making false statements	7/20/2007	14 months in prison; 2 years supervised release; \$6,000 fine; and \$17,964 restitution
Anthony Martin, subcontractor administrator, KBR	Violating the Anti-Kickback Act	7/13/2007	1 year and 1 day in prison; 2 years supervised release; and \$200,504 restitution
Jesse D. Lane, Jr., USAR 223rd Finance Detachment	Conspiracy and honest services wire fraud	6/5/2007	30 months in prison and \$323,228 restitution
Steven Merkes, DoD civilian, operational support planner	Accepting illegal gratuities	2/16/2007	12 months and 1 day in prison and \$24,000 restitution
Chief Warrant Officer Peleti "Pete" Peleti, Jr., USA, Army's food service advisor for Kuwait, Iraq, and Afghanistan	Bribery and smuggling cash	2/9/2007	28 months in prison and \$57,500 fine and forfeiture
Jennifer Anjakos, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$86,557 restitution; and \$100 assessment

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NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Sgt. Carlos Lomeli Chavez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$28,107 restitution; and \$100 assessment
Sgt. Derryl Hollier, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$83,657.47 restitution; and \$100 assessment
Sgt. Luis Lopez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$66,865 restitution; and \$100 assessment
Bonnie Murphy, contracting officer	Accepting unlawful gratuities	11/7/2006	1 year supervised release and \$1,500 fine
Samir Mahmoud, employee of U.S. construction firm	Making false statements	11/3/2006	1 day credit for time served and 2 years supervised release
Gheevarghese Pappen, USACE civilian	Soliciting and accepting illegal gratuities	10/12/2006	2 years in prison; 1 year supervised release; and \$28,900 restitution
Lt. Col. Bruce Hopfengardner, USAR special advisor to CPA-South Central Region	Conspiracy, conspiring to commit wire fraud and money laundering, and smuggling currency	8/25/2006	21 months in prison; 3 years supervised release; \$200 fine; and \$144,500 forfeiture
Faheem Mousa Salam, interpreter, Titan Corp.	Violating the Foreign Corrupt Practices Act's Anti-Bribery Provisions	8/4/2006	3 years in prison; 2 years supervised release; 250 hours community service; and \$100 special assessment
Mohammad Shabbir Khan, director of operations for Kuwait and Iraq, Tamimi Global Co., Ltd.	Violating the Anti-Kickback Act	6/23/2006	51 months in prison; 2 years supervised release; \$10,000 fine; \$133,860 restitution; and \$1,400 assessment
	Witness tampering	8/10/2009	15 months in prison; 2 years supervised release; \$6,000 fine; and \$200 special assessment
Philip Bloom, Owner: Global Business Group, GBG Holdings, and GBG-Logistics Division	Conspiracy, bribery, and money laundering	3/10/2006	46 months in prison; 2 years supervised release; \$3.6 million forfeiture; \$3.6 million restitution; and \$300 special assessment
Stephen Seamans, subcontracts manager, KBR	Wire fraud, money laundering, and conspiracy	3/1/2006	12 months and 1 day in prison; 3 years supervised release; \$380,130 restitution; and \$200 assessment
Christopher Cahill, regional vice president, Middle East and India, Eagle Global Logistics, Inc.	Major fraud against the United States	2/16/2006	30 months in prison; 2 years supervised release; \$10,000 fine; and \$100 assessment (a civil settlement with EGL arising from the same facts resulted in a settlement of \$4 million)
Robert Stein, CPA-South Central comptroller and funding officer	Felon in possession of a firearm, possession of machine guns, bribery, money laundering, and conspiracy	2/2/2006	9 years in prison; 3 years supervised release; \$3.6 million forfeiture; \$3.5 million restitution; and \$500 special assessment
Glenn Powell, subcontracts manager, KBR	Major fraud and violating the Anti-Kickback Act	8/1/2005	15 months in prison; 3 years supervised release; \$90,973.99 restitution; and \$200 assessment

Note: Does not include non-U.S. court results from joint SIGIR/foreign law enforcement investigations or results from courts martial.

TABLE 5.3
DEBARMENT LIST

NAME	DEBARRED
Ashleigh Woods	9/17/2012
MACR Construction, LLC	9/17/2012
Al Batat Construction Co.	8/24/2012
Hayder Al Batat	8/24/2012
Yahya Al Batat	8/24/2012
Ahmed Alssabari	8/24/2012
Hawks of Iraq	8/24/2012
Richard Lopez Razo	8/24/2012
Charles J. Bowie, MAJ, USA	7/12/2012
Peter D. Dunn	6/14/2012
Global Procurement, Inc.	6/14/2012
World Wide Procurement and Construction, LLC	6/14/2012
Michelle Lynn Adams	6/14/2012
Matrix International	5/17/2012
Jose Flores	5/17/2012
Barry Steven Szafran	5/17/2012
Jossey V. Varghese	5/17/2012
Specialised Security Systems	5/17/2012
Thomas Aram Manok	5/17/2012
SIMA International	5/17/2012
Ali Amer Huissein	5/17/2012
Majeed Sahdi Majeed	5/17/2012
Al Sald Company for General Contracts	5/17/2012
C Building	5/17/2012
Al Andalus/A- Cap Company	5/17/2012
Al Baqier Company	5/17/2012
Mohammed Baqier	5/17/2012
Frederick Manfred Simon	5/17/2012
Manfred Otto Simon	5/17/2012
Railway Logistics International, Inc.	5/17/2012
Engineering International Corporation	5/17/2012
Eric Hamilton	4/30/2012
Mike Atallah	2/25/2012
Marta Atallah	2/25/2012
Theresa J. Baker, MAJ, USA	2/25/2012
Theodore Q. Williams	2/17/2012
Ozgen Kacar	2/17/2012
Mezin Kacar	2/17/2012
Ayfer Atilan	2/17/2012

Continued on next column

NAME	DEBARRED
Al Amal Al Mushrig Company	2/15/2012
Charles E. Sublett, MAJ, USA	1/19/2012
Ali Hatham Soleiman	12/15/2011
Al Anbar Trucking Association	12/15/2011
Abed Errazak Soleiman	12/15/2011
Saad Soleiman	12/15/2011
Taleb Alirfan	12/15/2011
Shalan Alirfan	12/15/2011
David Pfluger, LTC, USA (Ret.)	12/6/2011
Ehsan Hassan Al-Ameli	11/29/2011
Al AALI General Contracting Co.	11/28/2011
Mahmoud Shakier Mahmoud	10/14/2011
Ahmad Muhammed Hassan	10/13/2011
Al Ula Iraq	10/12/2011
Al Ula FZCO	10/12/2011
Al Ula Global Trading, LLC	10/12/2011
Chet M. Fazand	9/13/2011
Chad M. Fazand	9/13/2011
Fazand International Trading, LLC	9/13/2011
Al Dalla Co.	9/13/2011
Faustino L. Gonzales, CAPT, USA	9/7/2011
Chasib Khazal Mehadi Al Mosawi	9/7/2011
Quasay Shamran Mehdi Al-Mosawi	9/7/2011
The Economical Group	9/7/2011
Jenna International, Inc.	8/4/2011
Al-Methwad Company	7/21/2011
Tariq Zadan Dawood	7/21/2011
Tareq Zaidan Dawod	7/21/2011
Tariq Zaidan Dawod	7/21/2011
Tariq Zaidon Dawod	7/21/2011
Tarik Zaidon Dawood	7/21/2011
Abd Al Alim Abbod	7/21/2011
Frankie Joseph Hand	7/21/2011
Richard Joseph Harrington	7/21/2011
Janet L. Schmidt	6/22/2011
Mariam M. Steinbuch	6/6/2011
Mark Carnes	6/3/2011
Terence O. Walton	6/3/2011
Al Aali Future Mario Company	5/11/2011

Continued on next column

NAME	DEBARRED
Eric K. Schmidt	4/20/2011
Mark R. Fuller	4/1/2011
Ahmad Mustafa	1/25/2011
Mubarek Hamed	1/25/2011
Ali Mohammed Bagegni	1/25/2011
Abdel Azzim El-Saddig	1/25/2011
Mark Deli Siljander	1/25/2011
Precy Pellettieri	1/12/2011
Salvatore Pepe	1/12/2011
Ammar Tariq Al Jazrawi	1/10/2011
Ammar Tareq Al Jazrawi General Contracting Company	1/10/2011
Liberty Al-Ahlia General Trading and Contracting Company	12/13/2010
Bronze Al-Taqoos Al-Afjan	12/13/2010
International Quality Kitchens Ardiya	12/13/2010
John Napolian	12/13/2010
Joseph Sebastian	12/13/2010
N.K. Ismail	12/13/2010
Biju Thomas	12/13/2010
Combat General Trading Company	12/13/2010
Jank Singh	11/24/2010
Blue Marine Services	11/24/2010
Blue Marines General Trading, LLC	11/24/2010
Blue Marines	11/24/2010
Blue Marines Group	11/24/2010
BMS Logistics	11/24/2010
BMS Group	11/24/2010
BMS General Trading, LLC	11/24/2010
Christopher Murray	11/10/2010
Curtis Whiteford	10/22/2010
William Driver	10/22/2010
Allied Arms Company, Ltd.	9/28/2010
Allied Arms Company, W.L.L.	9/28/2010
Shahir Nabih Fawzi Audah	9/28/2010
Defense Consulting and Contracting Group, LLC	9/28/2010
Amwaj Al-Neel Company	9/22/2010
Baladi Company	9/22/2010
Desert Moon Company	9/22/2010
Ameer S. Fadheel	9/22/2010

Continued on next column

NAME	DEBARRED
Oday Abdul Kareem	9/22/2010
Maytham Jassim Mohammad	9/22/2010
Michael Dung Nguyen	8/19/2010
Michael Wheeler	7/28/2010
Austin Key	7/14/2010
Marko Rudi	5/26/2010
Ashraf Mohammad Gamal	4/16/2010
Triple A United General Trading and Contracting	4/16/2010
Jeff Thompson	3/29/2010
John Cockerham	3/17/2010
Melissa Cockerham	3/17/2010
Carolyn Blake	3/17/2010
Nyree Pettaway	3/17/2010
Robert Young	3/9/2010
Elbert Westley George III	1/21/2010
Roy Greene	1/21/2010
Ofelia Webb	1/21/2010
Patrick Faust	1/21/2010
Ali N. Jabak	9/30/2009
Liberty A. Jabak	9/30/2009
Liberty's Construction Company	9/30/2009
Tharwat Tareh	9/30/2009
Babwat Dourat Al-Arab	9/30/2009
Dourat Al-Arab	9/30/2009
Hussein Ali Yehia	9/30/2009
Amina Ali Issa	9/30/2009
Adel Ali Yehia	9/30/2009
Javid Yousef Dalvi	9/25/2009
Mohamed Abdel Latif Zahed	9/10/2009
Gerald Thomas Krage	9/4/2009
Andrew John Castro	9/4/2009
Airafidane, LLC	9/4/2009
Kevin Arthis Davis	8/20/2009
Jacqueline Fankhauser	8/7/2009

Continued on next column

NAME	DEBARRED
Debra M. Harrison, LTC, USAR	8/7/2009
Nazar Abd Alama	7/1/2009
San Juan Company	7/1/2009
Mississippi Company for the General Contract	7/1/2009
Lee Dynamics International	6/17/2009
Lee Defense Services Corporation	6/17/2009
George H. Lee	6/17/2009
Justin W. Lee	6/17/2009
Oai Lee	6/17/2009
Mark J. Anthony	6/17/2009
Levonda J. Selph	6/17/2009
Starcon Ltd., LLC	6/17/2009
Cedar J. Lanmon, CPT, USA	6/3/2009
D+J Trading Company	5/14/2009
Jesse D. Lane, Jr.	1/30/2009
Jennifer Anjakos	1/30/2009
Carlos Lomeli Chavez	1/30/2009
Derryl Hollier	1/30/2009
Luis A. Lopez	1/30/2009
Mohammed Shabbir Kahn	10/10/2008
Kevin Andre Smoot	9/30/2008
Green Valley Company	9/17/2008, 5/18/2007
Triad United Technologies, LLC	9/17/2008
Dewa Europe	9/17/2008
Dewa Trading Establishment	9/17/2008
Al Ghannom and Nair General Trading Company	9/17/2008
Dewa Projects (Private), Ltd.	9/17/2008
Future AIM United	9/17/2008
First AIM Trading and Contracting	9/17/2008
Vasantha Nair	9/17/2008
K. V. Gopal	9/17/2008
Falah Al-Ajmi	9/17/2008
Trans Orient General Trading	9/17/2008

Continued on next column

NAME	DEBARRED
Zenith Enterprises, Ltd.	9/17/2008
Peleti "Pete" Peleti, CWO, USA	6/15/2008
Al Sawari General Trading and Contracting Company	3/13/2008
John Allen Rivard, MAJ, USAR	1/14/2008
Samir Mahmoud	11/29/2007
Robert Grove	10/30/2007
Steven Merkes	9/27/2007
Bruce D. Hopfengardner, LTC, USAR	9/20/2007
Robert J. Stein, Jr.	8/16/2007
Philip H. Bloom	8/8/2007
Global Business Group S.R.L.	8/8/2007
Stephen Lowell Seamans	7/27/2007
Gheevarghese Pappen	6/28/2007
Faheem Mousa Salam	6/28/2007
QAH Mechanical and Electrical Works	6/27/2007
Abdullah Hady Qussay	6/27/2007
Al Riyadh Laboratories and Electricity Co.	1/26/2007
Thomas Nelson Barnes	1/24/2007
Danube Engineering and General Contracting	12/28/2006
Alwan Faiq	12/28/2006
Christopher Joseph Cahill	11/9/2006
Ahmed Hassan Dayekh	9/26/2006
Diaa Ahmen Abdul Latif Salem	5/14/2009, 6/2/2006
Jasmine International Trading and Service Company	5/14/2009, 6/2/2006
Custer Battles	3/17/2006
Robert Wiesemann, CW2, USA	3/6/2006
Glenn Allen Powell	2/16/2006
Amro Al Khadra	1/12/2006
Dan Trading and Contracting	1/12/2006
Steven Ludwig	9/29/2005
DXB International	9/29/2005

SIGIR HOTLINE

The SIGIR Hotline facilitates the reporting of fraud, waste, abuse, mismanagement, and reprisal in all programs associated with Iraq reconstruction efforts funded by the U.S. taxpayer. Cases received by the SIGIR Hotline that are not related to programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Iraq are transferred to the appropriate entity. The SIGIR Hotline receives walk-in, telephone, mail, fax, and online contacts from people in Iraq, the United States, and throughout the world.

Third Quarter Reporting

As of September 30, 2012, the SIGIR Hotline had initiated 881 cases. Of these cases, 863 have been closed, and 18 cases remain open. For a summary of these cases, see Table 5.4.

TABLE 5.4
SUMMARY OF SIGIR HOTLINE CASES,
AS OF 9/30/2012

OPEN CASES				
Investigations				17
Audits				1
Total Open				18
CLOSED CASES				
	1ST QTR 2012	2ND QTR 2012	3RD QTR 2012	CUMULATIVE*
FOIA	–	–	–	4
OSC Review	–	–	–	2
Assists	–	–	1	48
Dismissed	1	1	1	147
Referred	2	2	1	397
Inspections	–	–	–	80
Investigations	–	–	1	156
Audits	–	–	–	29
Total Closed	3	3	4	863
Cumulative* Open & Closed				881

*Cumulative total covers the period since the SIGIR Hotline began operations—from 3/24/2004 to 9/30/2012.

New Cases

During this reporting period, the SIGIR Hotline received 3 new complaints, bringing the cumulative total to 881 Hotline cases. The new complaints were classified in these categories:

- 1 involved contractual issues.
- 1 involved personnel issues.
- 1 involved SIGIR website issues.

The SIGIR Hotline receives most reports of perceived instances of fraud, waste, abuse, mismanagement, and reprisal through the website and email. Of SIGIR's 3 new Hotline complaints, 2 were received through the SIGIR Hotline website and 1 was received over the Hotline telephone.

Closed Cases

During this quarter, SIGIR closed 4 Hotline cases:

- 1 was referred to another inspector general agency.
- 1 was closed by assisting the complainant with the SIGIR website.
- 1 was dismissed because it did not fall under SIGIR's purview.
- 1 was reviewed and closed by SIGIR Investigations.

Referred Complaints

After a thorough review, SIGIR referred 1 complaint to the Special Inspector General for Afghanistan Reconstruction for resolution. ♦

SIGIR WEBSITE

During this reporting period, the SIGIR website (www.sigir.mil) recorded these activities:

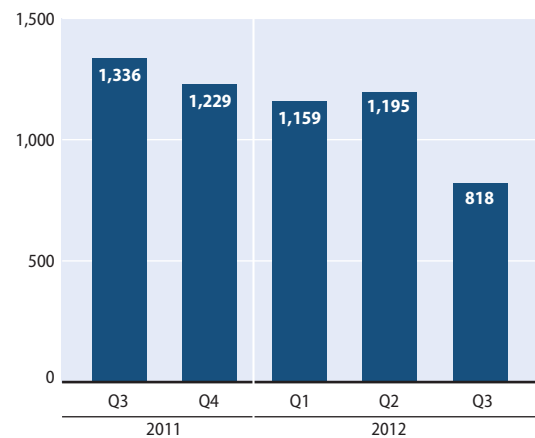
- More than 75,000 users visited the SIGIR website this quarter—818 users per day.
- The Arabic-language section of the site received just under 3,000 visits.
- The most frequently downloaded documents were SIGIR's most recent Quarterly Reports.
- The SIGIR website fed more than 25,000 content subscriptions. Information is updated to the web feeds, which are automatically downloaded to subscribers' computers and can be viewed by feed-reader programs.

Since its inception, SIGIR's custom Google site search has returned more than 17,200 results.

For an overview of daily visits to the SIGIR website, see Figure 5.4.♦

FIGURE 5.4

AVERAGE NUMBER OF VISITORS PER DAY TO SIGIR WEBSITE, BY QUARTER, 7/1/2011–9/30/2012



Source: DoD, IMCEN, response to SIGIR data call, 10/5/2012.

LEGISLATIVE UPDATE

During this quarter, the Congress did not take further action on authorization and appropriations legislation related to SIGIR or Iraq reconstruction.

The Congress passed and, on September 28, the President signed into law House Joint Resolution 117—the Continuing Appropriations Resolution, 2013 (Public Law 112-175). As a general rule, the continuing resolution provided interim FY 2013 appropriations for most programs of the federal government, including programs to reconstruct Iraq, at the levels that had been provided in FY 2012 increased by 0.612%. That funding is available through March 27, 2013, unless altered by a law passed before that date.

In the case of programs designated for Overseas Contingency Operations/Global War on Terrorism that had been funded in the FY 2012 Department of Defense Appropriations Act or the Military Construction Appropriations Act, funding is provided at the level in the President’s FY 2013 budget request.

The Congress enacted several additional special provisions, known colloquially as “anomalies,” that excepted certain programs from the rule that they should be funded at prior-year levels or that amended, waived, or otherwise affected other provisions of law. However, these anomalies do not appear to relate materially to the reconstruction of Iraq. ♦

OTHER AGENCY OVERSIGHT

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SECTION

6

INTRODUCTION

In March 2004, SIGIR formed the Iraq Inspectors General Council (IIGC) to provide a forum for discussion of oversight in Iraq and to enhance collaboration and cooperation among the inspectors general (IGs) of the agencies that oversee Iraq reconstruction funds. Representatives of member organizations have met quarterly to exchange details about current and planned audits, to identify opportunities for collaboration, and to minimize redundancies.

In light of the continuing scale-down of efforts in Iraq, the IIGC transitioned its work under the umbrella of the Department of Defense Office of Inspector General (DoD OIG) Southwest Asia Joint Planning Group. As such, the quarterly IIGC meetings no longer take place. SIGIR continues to actively participate in the Joint Planning Group. In September 2012, the Joint Planning Group held its 21st meeting.

In September 2012, the Joint Planning Group issued the FY 2013 update to the Comprehensive Oversight Plan for Southwest Asia. The FY 2013 update includes descriptions of oversight projects that directly affect efforts in Southwest Asia and surrounding areas as of September 1, 2012. The projects may be conducted exclusively in theater, require travel into theater, or be conducted outside the theater. In addition to the audits of contracts, subcontracts, and task and delivery orders for logistical support being conducted, this comprehensive plan addresses other oversight areas, including

asset accountability, transition of security responsibilities in Afghanistan, financial and logistics management, security and the rule of law, and economic and social development. The plan update also includes ongoing oversight efforts related to Southwest Asia by the Government Accountability Office (GAO).

Each quarter, SIGIR requests updates from member organizations on their completed, ongoing, and planned oversight activities. This section summarizes the audits and investigations reported to SIGIR this quarter by the following organizations:

- DoD OIG
- Department of State Office of Inspector General (DoS OIG)
- GAO
- U.S. Agency for International Development Office of Inspector General (USAID OIG)

For Defense Contract Audit Agency (DCAA) updates, see Appendix G.

As of September 30, 2012, the U.S. Army Audit Agency (USAAA) had ended its operations in Iraq and will no longer be reported on in this section. In previous quarters, SIGIR had provided updates on the U.S. Department of the Treasury and the U.S. Department of Commerce, but these agencies have no current Iraq reconstruction oversight activities ongoing or planned for FY 2013. SIGIR no longer reports on these agencies in this section. ♦

OTHER AGENCY OVERSIGHT REPORTS

This quarter, other oversight agencies issued 9 reports related to Iraq reconstruction, bringing the cumulative total to 693 reports issued since 2003. This section updates the audits that former IIGC member agencies reported to SIGIR:

- For recently completed oversight report activity of other U.S. agencies, see Table 6.1.
- For ongoing oversight report activity of other U.S. agencies, see Table 6.2.
- For more information on other agency oversight reports, including report summaries, see Appendix G.
- For a complete historical list of oversight reports and reviews on Iraq reconstruction by all entities, see Appendix H. ♦

TABLE 6.1

RECENTLY COMPLETED OVERSIGHT REPORTS OF OTHER U.S. AGENCIES, AS OF 9/30/2012

AGENCY	REPORT NUMBER	REPORT DATE	REPORT TITLE
DoD OIG	DODIG-2012-138	9/26/2012	Wholesale Accountability Procedures Need Improvement for Redistribution Property Assistance Team Operations
DoD OIG	DODIG-2012-120	8/22/2012	Assessment of DoD Wounded Warrior Matters—Wounded Warrior Battalion—West Headquarters and Southern California Units
DoS OIG	AUD-MERO-12-43	8/1/2012	Evaluation of Invoices and Payments for the Embassy Baghdad Operations and Maintenance Contract
GAO	GAO-12-1026T	9/12/2012	Operational Contract Support: Sustained DoD Leadership Needed to Better Prepare for Future Contingencies
GAO	GAO-12-977R	9/12/2012	Iraq and Afghanistan: Agencies Are Taking Steps to Improve Data on Contracting but Need to Standardize Reporting
GAO	GAO-12-750	8/2/2012	Iraq and Afghanistan: State and DoD Should Ensure Interagency Acquisitions Are Effectively Managed and Comply with Fiscal Law
GAO	GAO-12-854R	8/1/2012	Contingency Contracting: Agency Actions to Address Recommendations by the Commission on Wartime Contracting in Iraq and Afghanistan
GAO	GAO-12-759RSU	7/26/2012	Mission Iraq: State and DoD Have Not Finalized Security and Support Capabilities
USAID OIG	E-267-12-004-P	7/30/2012	Audit of USAID/Iraq's Performance Evaluation and Reporting for Results Management Program

TABLE 6.2
ONGOING OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF 9/30/2012

AGENCY	PROJECT NUMBER	DATE INITIATED	PROJECT TITLE
DoD OIG	D2012-D00SPO-0205.000	8/16/2012	Assessment of the Office of Security Cooperation-Iraq Mission Capability
DoD OIG	D2011-D000CH-0032.000	10/19/2010	Contractor Logistics Support Contract for Stryker Vehicles with General Dynamics Land Systems
DoD OIG	D2010-D00SPO-0209.000	4/16/2010	Assessment of DoD Wounded Warrior Matters
DoS OIG	12AUDXXX	6/29/2012	Audit of the Process for Realigning the U.S. Diplomatic Presence in Iraq
DoS OIG	12AUD050	3/22/2012	Audit of the Worldwide Protective Services Contract–Task Order 005
USAID OIG	EE100412	7/2/2012	Audit of USAID/Iraq's Access to Justice Program
USAID OIG	EE100212	4/22/2012	Survey of Security Contractor Services Employed by USAID/Iraq's Contractors and Grantees
USAID OIG	EE100112	11/22/2011	Audit of USAID/Iraq's Legislative Strengthening Program

OTHER AGENCY INVESTIGATIONS

SIGIR regularly coordinates with other government agencies conducting investigations in Iraq. For statistics of investigative activities from other agencies, see Table 6.3. ♦

TABLE 6.3
STATUS OF INVESTIGATIVE ACTIVITIES OF OTHER U.S. AGENCIES, AS OF 9/30/2012

AGENCY	INVESTIGATORS IN IRAQ	INVESTIGATORS IN KUWAIT	OPEN/ONGOING CASES*
U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit	–	2	85
Defense Criminal Investigative Service	–	1	131
DoS OIG	3	–	20
FBI	1	1	28
Naval Criminal Investigative Service	–	1	2
U.S. Air Force, Office of Special Investigations	–	–	–
USAID	1	–	11
Total	5	5	277

* Numbers include pending cases worked with other agencies within the Joint Operations Center.

ENDNOTES AND ACRONYMS AND DEFINITIONS

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1. U.S. Embassy-Baghdad, press release, "Ambassador Beecroft Arrives as New U.S. Ambassador to Iraq," 10/11/2012, iraq.usembassy.gov/pr-101112.html, accessed 10/13/2012; White House, Office of the Press Secretary, press release, "President Obama Announces More Key Administration Posts," 9/10/2012; U.S. Senate, "Nominations Confirmed (Civilian)," 9/22/2012, www.senate.gov/pagelayout/legislative/one_item_and_teasers/nom_confnc.htm, accessed 9/26/2012.
2. Ambassador Robert Stephen Beecroft, testimony before the Senate Foreign Relations Committee, "Senate Foreign Relations Committee Holds Confirmation Hearing on Robert Stephen Beecroft To Be U.S. Ambassador to Iraq," CQ Congressional Transcripts, 9/19/2012.
3. HJC, "Clarification Regarding Mr. Sinan al-Shabibi's Case," 10/18/2012, www.iraqja.iq/view.1654/, accessed 10/18/2012; International bank, Iraq Country Director, information provided to SIGIR, 10/17/2012; GOI, CBL, Statistical charts, www.cbi.iq/documents/exchange_rates_chart.jpg, accessed 10/18/2012; GOI Prime Minister, news conference, "Prime Minister Nouri al-Maliki Responses to Journalists' Questions," 10/24/2012, pmo.iq/ArticleShow.aspx?ID=699, accessed 10/24/2012.
4. International bank, Iraq Country Director, information provided to SIGIR, 10/17/2012; IMF, senior economist, information provided to SIGIR, 10/18/2012.
5. GOI, BSA, President, meeting with SIGIR, 9/18/2012; International bank, Iraq Country Director, information provided to SIGIR, 10/17/2012; IMF, senior economist, information provided to SIGIR, 10/18/2012; SIGIR analysis of open-source material, 10/17/2012; U.S. Embassy-Baghdad, meetings with SIGIR, 6/2010 and 2/2012.
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ACRONYMS AND DEFINITIONS

This section contains all of the abbreviations and acronyms found in this Report.

ACRONYM	DEFINITION
ABO	U.S. Army Budget Office
ABOT	al-Basrah Oil Terminal
<i>Ajyal</i>	"Generations" in Arabic—Education Strengthening Project (USAID)
BBG	Broadcasting Board of Governors
BCH	Basrah Children's Hospital
BCM	billion cubic meters
BIAP	Baghdad International Airport
BLISS	Baghdad Life Support Services
BPAX	Baghdad Police Academy Annex
BPD	barrels per day
BSA	Board of Supreme Audit
CAP	Community Action Program (ESF)
CBI	Central Bank of Iraq
CBP	U.S. Customs and Border Protection
CERP	Commander's Emergency Response Program
CFC	Civil-Military Fusion Centre (NATO)
CID-MPFU	U.S. Army Criminal Investigation Command-Major Procurement Fraud Unit
CIO	Contributions to International Organizations (United States)
CMCP	Coalition Munitions Clearance Program
CMEC	China Machinery Engineering Corporation
COI	Commission of Integrity (previously known as Commission on Public Integrity)
CoM	Council of Ministers
COM	Chief of Mission
Commerce	U.S. Department of Commerce
CoR	Council of Representatives (GOI)
CPA	Coalition Provisional Authority
CSH	Child Survival and Health Programs Fund
CSSP	Common Seawater Supply Project
CWD	Conventional Weapons Destruction
DCAA	U.S. Defense Contract Audit Agency

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ACRONYM	DEFINITION
DCIS	Defense Criminal Investigative Service
DF	Democracy Fund
DFI	Development Fund for Iraq
DHS	Department of Homeland Security
DoD	Department of Defense
DoD OIG	Department of Defense Office of Inspector General
DoJ	Department of Justice
DoS	Department of State
DoS OIG	Department of State Office of Inspector General
DoT	Department of Transportation
DPA	Deferred Prosecution Agreement
DPM	Deputy Prime Minister
DRL	Bureau of Democracy, Human Rights and Labor (DoS)
DSC	Diplomatic Support Center
DSCA	Defense Security Cooperation Agency
ECA	Bureau of Educational and Cultural Affairs (DoS)
ERMA	Emergency Refugee and Migration Assistance
ESF	Economic Support Fund
EU	European Union
EUJUST LEX	European Union Integrated Rule of Law Mission for Iraq
EXBS	Export Controls and Related Border Security
Ex-Im	Export-Import Bank
FAS	Foreign Agriculture Service (USDA)
FBAR	Report of Foreign Bank and Financial Accounts (U.S. Department of the Treasury)
FBI	Federal Bureau of Investigation
FMF	Foreign Military Financing
FMS	Foreign Military Sales
FOB	forward operating base
FOO	field ordering officer
FY	fiscal year
GAO	Government Accountability Office
GAPTIS	Governorate Accounting and Project Information Tracking System
GDP	gross domestic product
GE	General Electric
GEC	Governorate Emergency Cells
GOI	Government of Iraq
HJC	Higher Judicial Council
HRDF	Human Rights and Democracy Fund

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ACRONYM	DEFINITION
HSAD	"Harvest" in Arabic—Harmonized Support for Agriculture Development (USAID)
IA	Iraqi Army
IAA	interagency agreement
IAU	Inter-Agency Information and Analysis Unit (UN)
ICARDA	International Center for Agricultural Research in the Dry Areas
ICITAP	International Criminal Investigative Training Assistance Program (DoJ)
ICS	Iraqi Corrections Service
IDA	International Disaster Assistance
IDFA	International Disaster and Famine Assistance
IDP	internally displaced person
IEA	International Energy Agency
IFES	International Foundation for Electoral Systems
IFF	Iraq Freedom Fund
IG	inspector general
IHEC	Independent High Electoral Commission
IIGC	Iraq Inspectors General Council
IMCEN	Information Management Center (U.S. Army)
IMET	International Military Education and Training
IMF	International Monetary Fund
INCLE	International Narcotics Control and Law Enforcement account (INL)
INL	Bureau of International Narcotics and Law Enforcement Affairs (DoS)
INL/ACCO	INL's Anti-Corruption Coordination Office
<i>Inma</i>	"Growth" in Arabic—Agribusiness Program (USAID)
IOM	International Organization for Migration
IP	Iraqi Police
IPO	initial public offering
IRFFI	International Reconstruction Fund Facility for Iraq
IRRF	Iraq Relief and Reconstruction Fund
IRS	Internal Revenue Service
IRS-CI	Internal Revenue Service-Criminal Investigation
ISF	Iraqi Security Forces
ISFF	Iraq Security Forces Fund

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ACRONYMS AND DEFINITIONS

ACRONYM	DEFINITION
ISN/ECC	Bureau of International Security and Nonproliferation Office of Export Controls Cooperation (DoS)
ISPO	Iraq Strategic Partnership Office (replaces ITAO)
ISRAR	"Determination" in Arabic—Iraqi Solutions for Regulatory and Administrative Reform (USAID)
ISX	Iraq Stock Exchange
IT	information technology
IZ	International Zone
JCC	Joint Coordinating Committee (GOI)
KDP	Kurdistan Democratic Party
KNOC	Korea National Oil Corporation
KRG	Kurdistan Regional Government
LOA	letter of offer and acceptance
LOGCAP	Logistics Civil Augmentation Program (DoD)
LOR	Letter of Request
M&E	Monitoring and Evaluation
<i>Maharat</i>	"Skills" in Arabic—Education Surveys (USAID)
MBPD	million barrels per day
MCFD	million cubic feet per day
MED	Middle East District (USACE)
MEES	Middle East Economic Survey
MEK	Mujaheddin-e Khalq
MoA	Ministry of Agriculture
MOD	Ministry of Defense
MoDM	Ministry of Displacement and Migration
MOE	Ministry of Electricity
MOI	Ministry of Interior
MOU	memorandum of understanding
MRA	Migration and Refugee Assistance
MW	megawatt
NADR	Nonproliferation, Anti-terrorism, Demining, and Related Programs
NATO	North Atlantic Treaty Organization
NEA-I	Bureau of Near Eastern Affairs-Iraq (DoS)
NGO	nongovernmental organization
NIC	National Investment Commission (GOI)
NMC	National Media Center (GOI)
NRRRF	Natural Resources Risk Remediation Fund
O&M	operations and maintenance
OFDA	Office of Foreign Disaster Assistance (USAID)

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ACRONYM	DEFINITION
OHDACA	Overseas Humanitarian, Disaster and Civic Aid
OIG	Office of Inspector General
OMA	Operations and Maintenance, Army (funds)
OMB	Office of Management and Budget
OPDAT	Office of Overseas Prosecutorial Development and Assistance Training (DoS)
OPEC	Organization of the Petroleum Exporting Countries
OPIC	Overseas Private Investment Corporation
OSC-I	Office of Security Cooperation-Iraq
OTA	Office of Technical Assistance (U.S. Treasury)
OUSD(AT&L)	Office of the Under Secretary of Defense (Acquisition, Technology and Logistics)
OUSD(C)	Office of the Under Secretary of Defense (Comptroller)
P.L.	Public Law
PCO	Project and Contracting Office
PDP	Police Development Program (DoS INL)
PERFORM	Performance Evaluation and Reporting for Results Management (USAID)
PFB	Procurement Fraud Branch (Army Legal Services Agency)
PHC	primary healthcare center
PKK	Kurdistan Workers' Party
PRDC	Provincial Reconstruction Development Council
PRM	Bureau of Population, Refugees and Migration
PRT	provincial reconstruction team
PTD	Pretrial Diversion
PUK	Patriotic Union of Kurdistan
QRF	Quick Response Fund
RIE	Restore Iraqi Electricity
RIO	Restore Iraqi Oil
RoL	Rule of Law
RSO	Regional Security Office
S&P	Standard & Poor's
S/GWI	Secretary's Office of Global Women's Issues (DoS)
SBA	Stand-By Arrangement
SFA	Strategic Framework Agreement
SIGAR	Special Inspector General for Afghanistan Reconstruction
SIGIR	Special Inspector General for Iraq Reconstruction
SIGPRO	SIGIR Prosecutorial Initiative
SIM	Subscriber Identity Module

Continued next column

ACRONYM	DEFINITION
SIV	Special Immigrant Visa
SOE	state-owned enterprise
SOI	Sons of Iraq
SOW	statement of work
SPM	single-point mooring
SPOT	Synchronized Predeployment and Operational Tracker
SRO	stabilization and reconstruction operation
<i>Tarabot</i>	"Linkages" in Arabic—Administrative Reform Project (USAID)
TFBSO	Task Force for Business and Stability Operations (DoD)
<i>Tijara</i>	"Trade" in Arabic—Provincial Economic Growth Program (USAID)
Treasury	U.S. Department of the Treasury
<i>Tumoooh</i>	"Ambition" in Arabic—English as a Second Language Project (UNDP)
UN	United Nations
UNCAC	United Nations Convention Against Corruption
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Organization
UNODC	United Nations Office on Drugs and Crime
USAAA	U.S. Army Audit Agency
USACE	U.S. Army Corps of Engineers
USAID	U.S. Agency for International Development
USAID OE	U.S. Agency for International Development Operating Expenses
USAID OIG	U.S. Agency for International Development Office of Inspector General
USBCI	U.S. Business Council in Iraq
USDA	U.S. Department of Agriculture
USG	U.S. government
USIP	United States Institute of Peace
USMC	U.S. Marine Corps
USRAP	U.S. Refugee Admissions Program
WFF	War Fighter Focus

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