FOCUS ON MOSUL

Background
Situated on the banks of the Tigris with a population of approximately 1.6 million people, Mosul is the largest city in northern Iraq. Founded several centuries before the Common Era near the site of the ancient city of Ninevah, Mosul’s geographic position has placed it at the crossroads of empires for almost three millennia. Mosul’s present-day diverse ethnic composition reflects the myriad cultures—Arab, Kurdish, Persian, Turkish—that have influenced the city from its inception. Current estimates suggest that Sunni Arabs make up about 70% of Mosul’s population, Kurds 25%, and a polyglot mixture of Turkmen, Yazidis, Christian Arabs, and others comprising the remainder.

Historically, Mosul was one of the primary administrative centers in northern Mesopotamia, serving as the capital of the Ottoman province that bore its name. In the aftermath of World War I, the British joined together the Ottoman province with provinces centered on Baghdad and Basrah to form the new country of Iraq. Today, Mosul is the capital city of Ninewa province, which has an estimated population of 2.8 million.

Elections
In 2005, Iraq conducted its first Provincial Council elections, which were boycotted by most Sunni Arabs. Only 14% of Ninewa’s eligible voters turned out to cast ballots in those elections. The Sunni boycott skewed the results in several ethnically mixed provinces, including Ninewa, where the Kurdish minority captured 31 of the 41 Provincial Council seats. Four years later, the results were very different. A marked increase in Sunni Arab participation resulted in the Sunni-dominated parties and their allies winning 22 of the 37 seats on Nineva’s council, while the Kurdish Ninewa Brotherhood secured only 12.

Mosul’s Sunni Arabs also displayed their strength in the March 2010 elections for the Council of Representatives. Ayad Allawi’s largely Sunni al-Iraqiya bloc won 20 of Nineva’s 34 seats, and bloc member Mosul-based Osama al-Nujaifi won the third-highest vote total of any candidate on the provincial ballot, behind only the current Prime Minister Nouri al-Maliki and former Prime Minister Allawi. Consequently, Mosul’s Sunni community will be well represented in the broader national political conversation in the years to come.

Security
Mosul’s Sunni Arab orientation and its strategic location near Iraq’s long-rebellious Kurdish territories made it a natural northern bastion for the Ba’athist regime. In many respects, Mosul under
The Arab population’s hostility opened a door for the Ba’athists was the quintessential garrison town. One report estimates that Mosul and its environs contributed more than 300,000 residents to the security apparatus of the Ba’athist state. Two years after the toppling of Saddam’s statue in Firdos Square, greater Mosul was home to an estimated 1,100 former Iraqi generals and more than 100,000 former Iraqi Army soldiers of other ranks, providing fertile recruiting ground for the growing insurgency.

Following the fall of Saddam, Kurdish Peshmerga irregulars, supported by Coalition troops, seized control of the Mosul area and remained a dominant force there until 2008. In 2005, according to one Kurdish general, 80% of the security forces in Mosul—three of the four brigadier generals—were Kurds. Many Arab residents of Mosul resented Kurdish policies during these years, perceiving them as efforts to “Kurdicize” Mosul.

The Arab population’s hostility opened the way for the Ba’athists to infiltrate by al-Qaeda in Iraq and other Sunni extremists. Between 2004 and 2007, Mosul was wracked by widespread insurgent violence. High-profile attacks occurred with regularity, and no one was immune—not even the second post-war governor of Ninewa province, who was assassinated in mid-2004. As much of Iraq, security in Ninewa province has improved significantly since 2007. According to ISF statistics, approximately 4,000 attacks occurred in August 2007, 500 in August 2008, 125 in August 2009, and 70 in August 2010. But violence remains a daily fact of life in Mosul City, with recent incidents appearing to target ISF members, in contrast to the indiscriminate marketplace bombings of years past.

The Iraqi Police have begun to assume control of parts of Mosul from the Iraqi Army; yet in conversations with SIGIR, Ninewa officials cited a shortage of local police as one factor contributing to the continued violence. Of the 8,000 police desired by provincial officials for Mosul, only about 700 have been hired, and only about 350 are getting paid.

**High Unemployment**

Since 2003, many Mosul residents have fallen on hard times, and the city’s economy has struggled. In meetings with SIGIR officials this quarter, the Ninewa Investment Commission estimated unemployment at 30% and spoke...
of the large segment of underemployed Iraqis in the province. 252

Electricity Shortages
Check Economic Growth

Nineveh province has struggled to keep pace with the rising demand for electricity that has swept Iraq since 2003. The provincial Director General for Transmission places province-wide demand at 1,900 MW, but estimates that Nineveh only draws about 460 MW–500 MW from the national grid. Hospitals, water plants, and the cement factories receive priority, which has led to Mosul residents sometimes receiving as little as 4 hours of power in a 24-hour period. Moreover, insurgents continue to target the transmission towers that bring power to the city, and an attack this quarter on the Mosul Gas power plant halted service there for two days. To mitigate these shortages, many residents have purchased generators. 253

State-owned Enterprises
There are 11 state-owned enterprises (SOEs) based in Mosul, primarily in the manufacturing sector. 254 A closer look at two SOEs illustrates their continued importance to the local economy and the profound challenges that confront them as they struggle to adapt to a free-market economy.

- Northern Cement State Company.

The six cement plants in Mosul have a total production capacity of 3.7 million tons per year. They employ about 4,000 people. But due to a lack of electricity, the plants produce only about 1.5 million tons per year. Five of the 10 production lines have stopped working because of power shortages. Notwithstanding these problems, the Northern Cement State Company is one of only two SOEs in the province capable of paying employees out of the revenue it generates (instead of relying on subsidies from the central government). 255

- Textiles SOE.

Four companies operate as part of this SOE, each with a different specialty: textiles, sewing, gauze, and cotton. The SOE employs about 5,000 individuals, and until 2008, it was able to meet about 50% of payroll from revenue it generated through sales. But according to its director, a flood of cheap imports undercut the products’ ability to compete, and the enterprise now relies primarily on subsidies from the Ministry of Industry and Minerals to pay its employees. 256
domestic and foreign investment capital illustrates in microcosm many of the problems faced by the rest of Iraq. The Ninewa Investment Commission reports that it has approved 29 joint investment projects for the province, pairing local businesses with international investors. Nine projects, valued at about $50 million, are currently underway, including a housing complex, a mall, a maternity hospital, and a luxury hotel. As for the 20 projects that have been approved but have yet to break ground, the commission cites these reasons for delays:257

- **Security concerns.** Local officials reported to SIGIR that the perception of Mosul as a hotbed of insurgent violence adversely affects their ability to attract foreign companies. The multitude of ISF checkpoints that dot the city also make it difficult to conduct daily business, often turning short trips into day-long excursions.
- **Bureaucracy.** The sclerotic nature of the various permitting and approval processes causes lengthy delays in moving projects from the planning phase to implementation.
- **Uncertain land title.** Incomplete or missing deeds and property-transaction records often preclude parties from knowing who owns a particular parcel of land.
- **Corruption.** The scourge of corruption damages the investment environment, and the Mosul commission said it is taking steps to streamline the approval process for foreign investors and to encourage the activities of the local Commission of Integrity office.

Notwithstanding these challenges, the Provincial Reconstruction Team (PRT) in Ninewa reported that several U.S.-based companies, including General Electric, have recently sent delegations to Mosul to explore investment opportunities. Moreover, Spanish, Turkish, Italian, Canadian, South African, and Angolan firms have all either invested in Mosul or are actively contemplating doing business there.258

**Banking**

Mosul’s banking sector remains underdeveloped. Officials from one private Iraqi bank based in Mosul report that while customer deposits doubled between 2007 and 2009, strict guarantee requirements and systemic inefficiencies keep overall banking activity relatively low.259 According to local Iraqi financiers, as of September 2010, only about 3,500 loans, with an aggregate principal amount of $25 million, were outstanding in Ninewa province—or about $8.93 per resident.260 As one Mosul banker remarked to SIGIR this quarter, local people generally just do not deposit their money in banks, preferring to keep cash on hand to deal with the myriad contingencies they may encounter on any given day.261

**Housing**

Mosul’s economic development is also inhibited by a persistent housing shortage. Local officials estimate that 250,000 new housing units will be needed over the next five years, but that only about 20,000 are currently under construction.262

**Humanitarian Situation**

The persistent instability in and around Mosul has caused many residents to flee their homes in search of safety. Earlier this year, the UN reported that more than 5,000 people—including a significant number of Christian families—were displaced from Mosul.263

U.S. assistance to minority (for example, Arab Christian) communities in Ninewa province is currently earmarked at about $10 million.264 PRT Ninewara uses these funds to support a variety of sustainable initiatives, including local agricultural projects and programs intended to assist small businesses.265 However, additional high-profile U.S. assistance explicitly earmarked for Ninewa’s minorities could potentially engender resentment on the part of the province’s Sunni Arab and Kurdistan...
population if the United States were perceived as favoring certain religious or ethnic groups at the expense of others.

**U.S. Presence and Programs**

As of September 2010, Nineveh province falls within the U.S. 3rd Infantry Division’s area of operations, with elements of the 2nd Advise and Assist Brigade (AAB) stationed in Mosul. The 2nd AAB works with local Iraqi Army and police units to help them achieve self-sufficiency and also remains ready to assist local authorities in other matters on an “as requested” basis.266

The AAB also supports ongoing reconstruction programs and provides security escort for PRT Nineva’s 60 personnel. The PRT reported making about 12 trips per week (8 from its Mosul office and 4 from its Tellafar branch office) to oversee project activities this quarter. About $30 million in CERP-, QRF-, and USAID-funded projects are currently ongoing in the province.267

**USAID Program Activities**

Since 2006, SIGIR has conducted on-site inspections of 12 U.S.-funded projects in the Mosul area, which includes the districts of Mosul, Tel-Kaif, and al-Hamdaniyah. +
I.S. SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

FOCUS ON MOSUL

Mosul Dam
Two years into a project to improve a critical grouting system at the Mosul Dam, SIGIR inspectors found that $27 million of the IRRF had yet to significantly improve basic capabilities for the Iraqi Ministry of Water Resources. SIGIR’s review of 21 contracts associated with the project uncovered indications of fraud, which were forwarded to SIGIR investigations. As of September 30, 2010, the United States had invested more than $45 million at the Mosul Dam under 49 contracts.

SIGIR Oversight in Mosul Area

<table>
<thead>
<tr>
<th>Assessment Number</th>
<th>Project Name/ Funds</th>
<th>Contractor</th>
<th>Met Contract Specs</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGIR PA-06-034 4/2006</td>
<td>Mosul Air Traffic Control Tower and Navigational Aids $10,329,474 (IRRF)</td>
<td>Local</td>
<td>Yes</td>
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<tr>
<td>SIGIR PA-06-035 4/2006</td>
<td>Ninewa Village Roads Segment 3 $1,119,476 (IRRF)</td>
<td>Local</td>
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<td>SIGIR PA-06-072 10/2006</td>
<td>Ninewa Provincial Police Headquarters $1,000,000 (IRRF)</td>
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<td>SIGIR PA-06-073 10/2006</td>
<td>Bab Eshtar Substation 11-kV Feeder Cable $1,220,000 (IRRF)</td>
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<td>SIGIR PA-06-091 4/2007</td>
<td>Bab Shams Police Station $353,400 (IRRF)</td>
<td>Local</td>
<td>No</td>
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<tr>
<td>SIGIR PA-06-092 4/2007</td>
<td>Gaugli-Ashur Police Station $881,188 (IRRF)</td>
<td>Local</td>
<td>Yes</td>
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<tr>
<td>SIGIR PA-07-105 10/2007</td>
<td>Relief and Reconstruction Funded Work at Mosul Dam $27,100,000 (IRRF)</td>
<td>Multiple Contractors</td>
<td>No</td>
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<td>SIGIR PA-07-106 10/2007</td>
<td>Right Bank Drinking Water Treatment Plant Rehabilitation $1,714,233 (CERP)</td>
<td>Local</td>
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<td>SIGIR PA-07-107 10/2007</td>
<td>Showairrej to Tak Harb Road Paving $1,439,175 (CERP)</td>
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<td>SIGIR PA-07-108 10/2007</td>
<td>Bartilla New Road Paving $147,560 (CERP)</td>
<td>Local</td>
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<td>SIGIR PA-07-109 10/2007</td>
<td>Bartilla Booster Pump Station Repair $237,000 (CERP)</td>
<td>Local</td>
<td>No</td>
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<tr>
<td>SIGIR PA-09-183 1/2010</td>
<td>Hammam Al Alil Regional Training Center $5,028,566 (ISFF)</td>
<td>Local</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Hammam Al Alil Regional Training Center
SIGIR’s inspection concluded that this $5 million ISFF project to construct facilities for 2,400 Iraqi soldiers met design standards and was proceeding according to contract specifications. Work included design and construction of 15 buildings and associated latrines, as well as installation of water, electricity, and waste systems. SIGIR found sustainment planning adequate and noted that government quality assurance personnel were performing well.

Mosul Airport Tower
SIGIR inspectors determined that this $10.3 million IRRF project to construct the air-traffic control tower and an adjoining 2-story administration building was adequately designed and progressing consistent with contract objectives. The contractor’s high-quality concrete operations contributed significantly to the successful outcome, and USACE quality assurance representatives were on site every day managing work, which took place on an active runway. This project served as an excellent example for sustainment of U.S. projects, providing one-year warranties for installed equipment and operations, spare parts, and training.

Hammam Al Alil Regional Training Center
SIGIR’s review of 21 contracts associated with the project uncovered indications of fraud, which were forwarded to SIGIR investigations. As of September 30, 2010, the United States had invested more than $45 million at the Mosul Dam under 49 contracts.