

SIGIR OBSERVATIONS

VIOLENCE RISING AMID POLITICAL TURMOIL	2
U.S. MISSION	2
GOVERNANCE	5
SECURITY AND THE RULE OF LAW	8
ECONOMY	11
SIGIR OVERSIGHT	12

SECTION

1

VIOLENCE RISING AMID POLITICAL TURMOIL

On July 23, 2012, coordinated attacks across Iraq reportedly killed at least 100 people and injured dozens more—the deadliest day in Iraq in more than two years. This devastating carnage came one day after multiple attacks killed more than 20, continuing the steady increase in lethal violence that began in April after a relatively peaceful March. Although no claims of responsibility were immediately reported, Abu Bakr al-Baghdadi, the ostensible leader of al-Qaeda in Iraq (under the banner of “The Islamic State of Iraq”), two days earlier announced the start of a new terrorist offensive, apparently aimed at freeing imprisoned al-Qaeda members.

Against this backdrop of continued violence in a nation also stressed by political turmoil, the Department of State (DoS) announced several significant changes this quarter to the size and scope of its efforts in Iraq. These include the closure of the U.S. consulate in Kirkuk, the cessation of all Police Development Program (PDP) activities in Basrah, the departure of police advisors from the largest PDP site in Baghdad, and the continued downsizing of the number of U.S. civilian and contractor personnel in Iraq.

In late June, the DoS Under Secretary for Management announced that the U.S. Mission in Iraq was downsizing as part of its “glide path” toward more normalized embassy operations.¹ As of the end of June, DoS reported that 1,235 U.S. government civilian employees were working in Iraq—a 10% decline from last quarter. According to the Department of Defense’s (DoD) Synchronized Predeployment and Operational Tracker (SPOT) database, 12,477 employees of U.S.-funded contractors and grantees were also supporting the U.S. Mission as of July 2—a 26% decrease from April 1.²

While the numbers of civilian employees and contractors declined, the cost of supporting and



Ambassador James Jeffrey, who served as Chief of Mission from August 5, 2010, to May 31, 2012, departs the Embassy grounds on June 1. (U.S. Embassy-Baghdad photo)

securing them remained high.³ Appearing before a House subcommittee in late June, the Government Accountability Office’s Acting Director for International Affairs and Trade stated support costs and security expenses accounted for 93% of the estimated \$4 billion allocated by DoS and DoD for 2012 operations in Iraq.⁴ Consistent with this finding, SIGIR’s recently published third audit of the PDP found that 94% of that program’s projected FY 2013 budget would be dedicated to support and security activities.⁵

U.S. MISSION

New Leadership

On June 1, Ambassador Robert Stephen Beecroft became Chargé d’affaires in Baghdad, upon the departure of Ambassador James Jeffrey. Prior to becoming the Chargé, Ambassador Beecroft had served as the Deputy Chief of Mission since July 2011. Earlier in his career, Beecroft held assignments in Saudi Arabia and Syria, and he served as the Chief of Mission in Jordan.⁶

Reconstruction Funding and Personnel

Since 2003, the United States has appropriated or otherwise made available \$60.45 billion for relief and reconstruction efforts in Iraq.⁷ This represents a \$0.66 billion decrease from what

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TABLE 1.1
STATUS OF FY 2011 AND FY 2012 ISFF, ESF, AND INCLE, AS OF 6/30/2012
 \$ Millions

FUND	FY	APPROPRIATED	OBLIGATED	EXPENDED	UNOBLIGATED	UNEXPENDED OBLIGATIONS
ISFF	2011	1,155.0	720.3	613.0	434.7	107.3
	Subtotal	1,155.0	720.3	613.0	434.7	107.3
ESF	2011	325.7	247.5	39.1	78.2	208.4
	2012	299.4	–	–	299.4	–
	Subtotal	625.1	247.5	39.1	377.6	208.4
INCLE	2011	114.6	88.7	57.8	25.8	30.9
	2012	129.6	20.0	4.1	109.6	15.9
	Subtotal	244.2	108.7	62.0	135.4	46.8
Total		2,024.3	1,076.5	714.1	947.8	362.4

Note: Data not audited. Numbers affected by rounding.

Sources: NEA-I, response to SIGIR data call, 6/28/2012; INL, response to SIGIR data call, 7/10/2012; OUSD(C), response to SIGIR data call, 7/11/2012.

INL’s most recent plan, yet to be finalized, calls for a total of 36 advisors—about one-tenth the original goal of about 350 advisors.

SIGIR reported in April 2012, predominantly resulting from a \$370 million reduction from the FY 2012 International Narcotics Control and Law Enforcement (INCLE) account and a \$345 million reprogramming reduction from the FY 2011 Iraq Security Forces Fund (ISFF).⁸ As of June 30, \$54.10 billion of the \$60.45 billion total had been obligated and \$52.31 billion had been expended.⁹

More than 85% of U.S. reconstruction has been provided through five major funds: the Iraq Relief and Reconstruction Fund (IRRF), the ISFF, the Commander’s Emergency Response Program (CERP), the Economic Support Fund (ESF), and the INCLE.¹⁰ All funds appropriated to the IRRF and CERP have expired, but \$1.03 billion remains available for obligation to new activities from the other three funds.¹¹ Table 1.1 summarizes the status of recent appropriations to the ISFF, ESF, and INCLE.

According to DoS, only 6 U.S. personnel and 67 contractors work on reconstruction programs in Iraq. SIGIR has long objected to this artifice, as these totals exclude personnel supporting, among other things, the Office of Security Cooperation-Iraq (OSC-I), the PDP, and the U.S. Agency for International Development (USAID).¹²

Police Development Program

This quarter, the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL) ceased all PDP activities in Basrah and removed all PDP advisors from its main training facility, the Baghdad Police College Annex. INL’s most recent plan, yet to be finalized, calls for a total of 36 advisors (split evenly between Baghdad and Erbil)—about one-tenth the original goal of about 350 advisors and half the current force strength of 72.¹³

A May assessment by Iraq’s Ministry of Interior (MOI) concluded that the PDP should be staffed by



The Inspector General meets with Iraqi Minister of Justice Hassan al-Shimari in April 2012.

no more than 12 advisors in Baghdad, each a highly trained expert in a specific field, such as forensic science or intelligence. The MOI report further noted that it had rejected 55 meetings requested by PDP advisors during the first three months of 2012 and described more than one-fourth of the 80 meetings that did occur as having been of either limited or no benefit.¹⁴

SIGIR issued its third audit of the PDP this quarter, finding that, of the \$745 million in FY 2010 and FY 2011 funds already appropriated and allocated for the program, at least \$118.2 million remained unused and available. Further, SIGIR determined that additional funds may become available as the program diminishes in size.¹⁵ For a complete summary of the PDP audit, see Section 5 of this Report.

Office of Security Cooperation-Iraq

As of June 30, 2012, OSC-I operated out of six locations (Baghdad, Besmaya, Kirkuk, Tikrit, Umm Qasr, and Taji), providing advice and training to the Iraqi military. It intends to transfer all of these sites to the Government of Iraq (GOI) by the end of 2013. More than \$58 million in U.S.-funded upgrades are either planned or ongoing at the OSC-I locations in Besmaya, Umm Qasr, and Tikrit.¹⁶

OSC-I's mission focuses on the procurement of security equipment and related services for the ISF through ISFF expenditures, the FMS program, and the Foreign Military Financing (FMF) program:

- **ISFF.** Obligations and commitments from the FY 2012 ISFF increased by 124% from last quarter to more than \$765 million. For the remaining unobligated and uncommitted FY 2011 ISFF, OSC-I plans 14 purchases, including aircraft logistics support, armored vehicles, and a reconnaissance and surveillance system.¹⁷ Any funds not obligated by September 30 will expire, but OSC-I plans to obligate all of the remaining FY 2011 ISFF.¹⁸
- **FMS.** As of June 30, the FMS program had provided 453 separate cases valued at \$11.96 billion. The GOI funded 206 FMS cases, valued at \$9.00 billion, and the United States funded 247

cases, valued at \$2.96 billion.¹⁹ The three largest FMS cases finalized this quarter involved the purchase of air-defense systems and support equipment (\$105.2 million); 6 M1A1 tanks, 8 tank-recovery vehicles, and associated support equipment (\$68 million); and small-arms ammunition (\$33.8 million).²⁰

- **FMF.** As of June 30, 2012, none of the \$850 million in FY 2012 FMF program funding had been made available to OSC-I.²¹

Major Changes to U.S. Facilities

Among the major changes to the U.S. Mission announced this quarter were:²²

- the intent to transfer to the GOI control of Embassy Annex Prosperity by the end of 2013 (Prosperity is a former U.S. military base in the International Zone that houses a large number of contractor personnel)
- the closing of the consulate in Kirkuk by the end of July (the collocated OSC-I site will also close by September)
- the return of the Baghdad Police College Annex to the GOI by mid-December, after expending an estimated \$108 million to improve it for use as the main PDP site
- contract-submission requests for extensive upgrades to Embassy Baghdad's physical plant (estimated to cost \$60 million–\$80 million)

SIGIR issued its third audit of the PDP this quarter, finding that, of the \$745 million in FY 2010 and FY 2011 funds already appropriated and allocated for the program, at least \$118.2 million remained unused and available.



Prime Minister al-Maliki chairs a Council of Ministers meeting in Thi-Qar province in June 2012. (GOI photo)

GOVERNANCE

Efforts To Remove the Prime Minister: Legalities and Politics

Under Article 61 of the Iraqi Constitution, Iraqi President Talabani possesses the discretionary power to ask the Council of Representatives (CoR) to hold a vote of no confidence in the current government at any time. Alternatively, 65 members of the CoR may call for a no-confidence vote, but they must first secure the support of 25 members to question the Prime Minister formally before the CoR about his performance. In either circumstance, if an absolute majority of all members (163 of 325) vote to dismiss the Prime Minister, the entire government falls. In accordance with Article 76 of the Constitution, the President would then call on the head of the largest political alliance in the CoR to form a new cabinet.²³

At an April 28 conclave in Erbil, Kurdistan Regional Government (KRG) President Barzani, al-Iraqiya bloc leader Ayad Allawi, CoR Speaker Osama al-Nujaifi, and Muqtada al-Sadr drafted a joint letter demanding the Prime Minister's action to address nine specific points within 15 days, or

they would initiate a no-confidence motion. The letter was sent to former Prime Minister Ibrahim al-Ja'afari, the head of the Shia National Alliance. Among other things, the letter called for:²⁴

- implementation of the Erbil Agreement (the unpublished power-sharing accord that finally secured a second term for the Prime Minister in late 2010)
- an end to the concentration of powers in the Prime Minister's office
- the preservation of the rights of independent commissions (such as the Independent High Electoral Commission, or IHEC)
- the apolitical management of the ISF
- the imposition of a two-term limit on the office of Prime Minister

The 15-day time period set forth in the letter elapsed in mid-May without a substantive response. Figure 1.1 provides a timeline of these and other key political events this quarter.

In May and June, the Prime Minister's opponents—led by KRG President Barzani and al-Iraqiya's Allawi—attempted to gather 163 CoR members' signatures on a non-binding letter to President Talabani supporting the withdrawal of confidence from the current government.



Late April meeting of KRG President Massoud Barzani (right), GOI President Jalal Talabani (left), and cleric Muqtada al-Sadr (center) in Erbil to discuss the political situation in Iraq, including unresolved disagreements between the KRG and GOI. (KRG photo)

Reportedly, this effort secured the support of about 150 CoR members but failed to garner the 163 signatures. In part, this effort came up short because several members of al-Iraqiya, which won 91 seats in the March 2010 elections, have either formally defected from the bloc or publicly pledged their support for the Prime Minister. Consequently, in early June, President Talabani issued a statement noting that he would not call for a no-confidence vote because advocates of such a step failed to demonstrate sufficient support within the CoR.²⁵

In late June, when the CoR reconvened after a seven-week break, some allies of the Prime Minister went on the offensive, launching a campaign to question and remove Speaker al-Nujaifi. Meanwhile, the Prime Minister's opponents continued to pursue removing him by the alternate constitutional means of calling him to appear before the CoR to answer questions, which could be followed by a no-confidence vote.²⁶

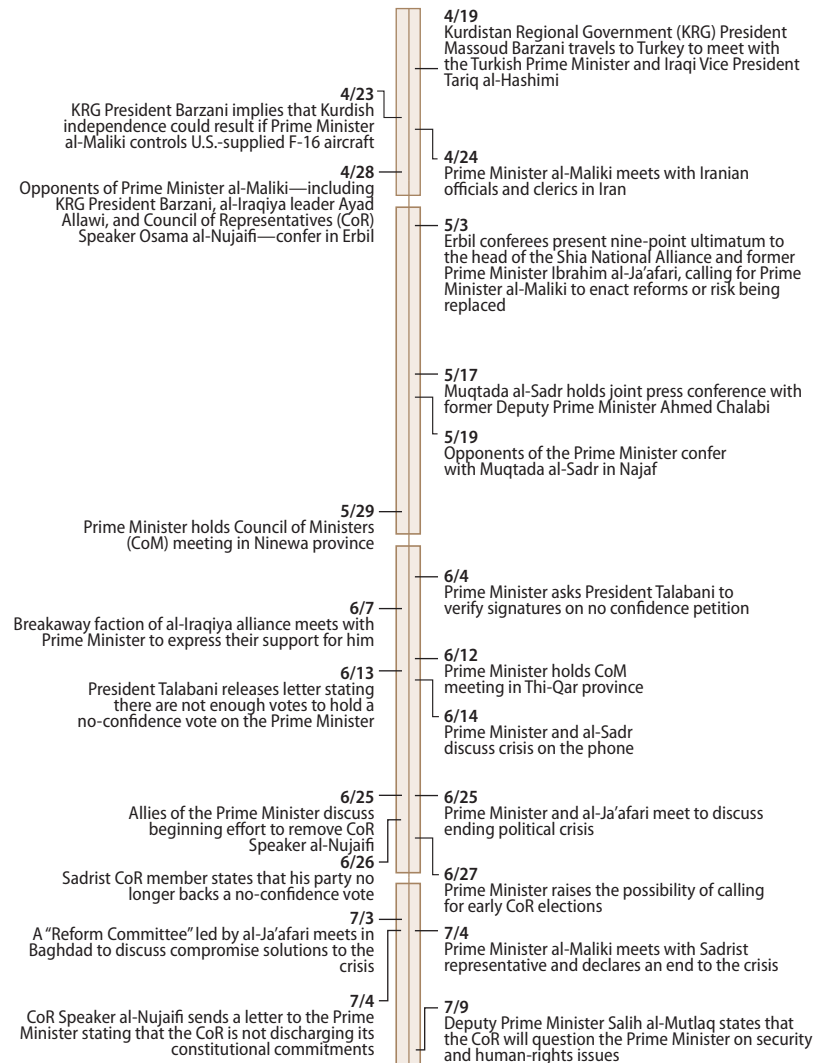
In a widely reported statement in early July, al-Sadr questioned if removing the Prime Minister from office would cause more problems than it would solve. Previously, he had alternated between harsh criticism of the Prime Minister and more carefully couched statements about the need for reforms.²⁷

In mid-July, several political rivals of the Prime Minister, led by former Prime Minister al-Ja'afari, created a committee to consider compromise solutions to some of the major issues that prompted the crisis, including the lack of permanent security ministers and the scope of the Prime Minister's authorities.²⁸

Iraqi Public Opinion

Despite the ongoing political maneuvering, a U.S.-sponsored poll conducted in April found that 48% of Iraqis perceived the country as heading in the right direction, up from 37% in the fall of 2011. The increase was most apparent in the largely Shia south, home to many supporters of the Prime Minister. There, 65% of residents polled said that Iraq was going in the right direction, up from 42%

FIGURE 1.1
KEY POLITICAL EVENTS, 4/15/2012–7/10/2012



Source: SIGIR analysis of open-source documents in English and Arabic, 4/2012–7/2012.

in October 2011. In contrast, 58% of the respondents in the mostly Sunni west (down from 68% in October 2011) and 64% of the respondents in the Kurdistan Region (up from 40% in October 2011) said Iraq was going in the wrong direction.²⁹

One beneficiary of these somewhat positive results was Prime Minister al-Maliki, whose April job-approval rating stood at 53%, up from 34% in

One beneficiary was Prime Minister al-Maliki, whose April approval rating stood at 53%, up from 34% in the fall of 2011.

TABLE 1.2
PUBLIC OPINION OF PROMINENT IRAQI
POLITICAL FIGURES, 4/2012
% of Respondents

POLITICIAN	APPROVE	DISAPPROVE
Prime Minister al-Maliki	52	35
Muqtada al-Sadr	48	33
Former Prime Minister Ja'afari	33	48
ISCI Leader Ammar al-Hakim	32	48
Al-Iraqiya Leader Ayad Allawi	31	57
CoR Speaker al-Nujaifi	24	50

Source: Greenberg Quinlan Rosner Research for NDI, "A Major Shift in the Political Landscape: Results from the April 2012 National Survey," 5/2012, p. 11, greenbergresearch.com/articles/2763/7272_NDI-Iraq%20-%20April%202012%20National%20Survey%20-%20Presentation.pdf, accessed 6/14/2012.

Respondents were split (45%–45%) as to whether Iraq was a "real democracy," with 59% of Shia saying that it was, and 75% of Sunni Arabs and 49% of Kurds stating that it was not.

the fall of 2011. Of Iraqi Shia polled, 66% viewed the Prime Minister favorably, as opposed to only 14% of Sunni Arabs and 5% of Kurds. The Prime Minister's approval numbers were strongest in the south (83%) and in Baghdad (57%), with the predominantly Sunni west disapproving of his per-

formance by more than two to one and the Kurdish north by almost nine to one.³⁰

The Prime Minister also saw a marked jump in support for his Dawa party among lower- and working-class Shia (referred to by the pollsters as "disaffected Shia"), with 29% proclaiming their support for it—up from 20% in September 2011—versus 17% of disaffected Shia expressing support for the Sadrists. However, almost 70% of Arab Sunnis thought the Prime Minister had too much power, as did 58% of Kurds. And respondents were split (45%–45%) as to whether Iraq was a "real democracy," with 59% of Shia saying that it was, and 75% of Sunni Arabs and 49% of Kurds stating that it was not.³¹ Table 1.2 compares the Prime Minister's approval rating with those of other prominent Arab political leaders in Iraq.

Additional survey findings included:³²

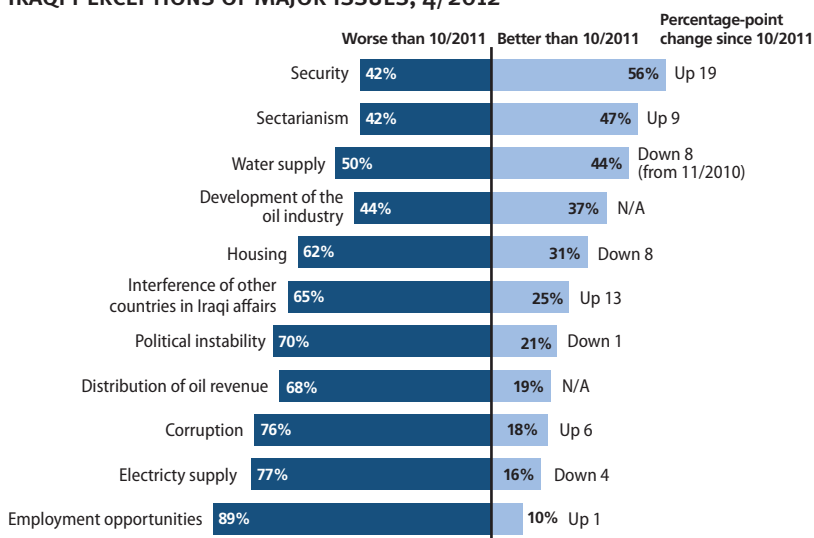
- 74% of respondents stated that it is important for Iraq to have a strong leader, even if that means giving up some freedoms.
- If CoR elections were held at the time of the poll, 22% of respondents would vote for the Prime Minister's Dawa party (rises to 30% among likely voters), 12% for Allawi's al-Iraqiya (also 12% of likely voters), and 10% for the Sadrists (12% of likely voters).
- 68% would like to see an opposition bloc in the CoR proffer new policy alternatives.
- When asked to name their top two concerns, 55% of the respondents said employment, 42% named services (electricity and water), 27% said security, and 23% said corruption.

Figure 1.2 provides polling data on whether Iraqis living outside of the Kurdistan Region believe that variety of key indicators have improved or deteriorated since October 2011.

National Electricity Grid

The total supply of electricity on the GOI-administered national grid, which is separate from the KRG grid, set a new record this quarter, averaging approximately 6,200 megawatts (MW)—9% higher

FIGURE 1.2
IRAQI PERCEPTIONS OF MAJOR ISSUES, 4/2012



Note: The questions on oil were not asked in the October 2011 poll, and the question on water supply was last asked in November 2010. Polling does not include the Kurdistan Region.

Source: Greenberg Quinlan Rosner Research for NDI, "A Major Shift in the Political Landscape: Results from the April 2012 National Survey," 5/2012, p. 24, greenbergresearch.com/articles/2763/7272_NDI-Iraq%20-%20April%202012%20National%20Survey%20-%20Presentation.pdf, accessed 6/14/2012.

than last quarter and an 18% increase over the same quarter in 2011. Some of this increase stemmed from increased imports from Iran, which rose 16% from last quarter—and 62% from the same quarter last year—to about 1,050 MW.³³ But domestic production also received a boost this quarter with the completion of several relatively small power plants, including four diesel plants with a combined capacity of 900 MW that were built in less than one year.³⁴

As of late June, the Ministry of Electricity (MOE) was overseeing the construction of other power plants with a combined capacity of 9,000 MW,³⁵ and it forecast that the amount of electricity supplied to the national grid would more than double by April 2013. One plant under construction, the 2,540 MW al-Zubaidya plant in Wassit, could become the largest power plant in the region. For now, however, demand dwarfs supply.³⁶

The MOE reported that the power supplied by the national grid met consumer demand for only about 10 hours per day in June.³⁷ For more on the electricity situation in Iraq, see the Governance section.

Human Rights

Three reports issued this quarter provided ample evidence that human rights violations continue to occur with disturbing regularity in Iraq. In its annual country report on human rights, DoS cited poor conditions at MOI and Ministry of Defense (MOD) detention facilities, arbitrary arrests, and press censorship as among the major human rights abuses occurring in Iraq. DoS added that one of the major problems is that the ISF tends to operate with “impunity,” with personnel rarely punished for human rights violations.³⁸ DoS also issued its Trafficking in Persons report this quarter, which found evidence of forced prostitution and non-consensual child labor in Iraq.³⁹ Echoing DoS’s findings, a May report by the United Nations Assistance Mission for Iraq concluded that the human rights situation in Iraq remains precarious, largely because of terrorist violence and inadequate rule-of-law institutions.⁴⁰ For more on human rights in Iraq, see the Governance section.

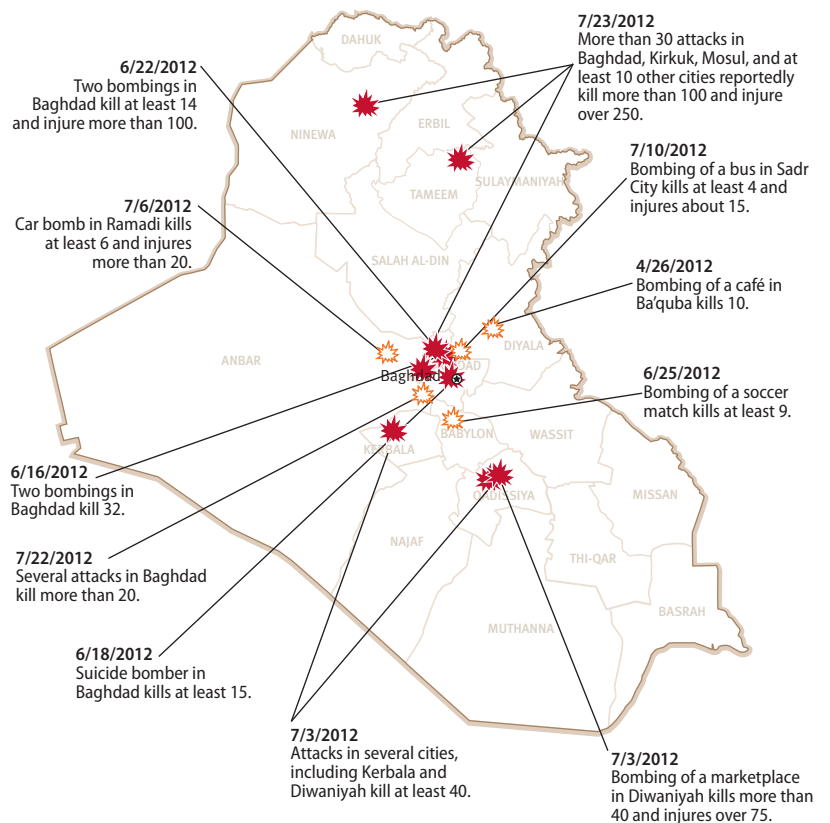
SECURITY AND THE RULE OF LAW

Attacks

According to the UN, the number of attacks in Iraq rose by 36% from March (239) to June (325).⁴¹ Insurgents conducted several major mass-casualty bombings this quarter, many of which targeted Shia communities or gatherings of Shia pilgrims. In Iraq’s worst day of violence since 2010, more than 30 separate attacks killed over 100 people and injured more than 250 on July 23.⁴⁷ Figure 1.3 provides information on some of this quarter’s major attacks.

According to the UN, the number of attacks in Iraq rose by 36% from March to June.

FIGURE 1.3
SELECTED MAJOR SECURITY INCIDENTS, 4/20/2012–7/23/2012



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, 4/20/2012–7/23/2012.

Developments in the Kurdistan Region

Against the unsuccessful effort by KRG President Massoud Barzani to remove Prime Minister Nuri al-Maliki from office, this quarter the KRG implemented a variety of incremental measures that, taken as a whole, increased its autonomy from Baghdad. These included:

Establishing a KRG National Security Council (NSC). In early July, President Massoud Barzani announced the formation of the KRG NSC, naming his son, Masrour Barzani, to head this new body. It will include representatives from the *Asai'ish* (the Region's domestic security agency), KRG military intelligence, and the KRG Information Agency.⁴²

Passing the 2012 Budget. In late June, President Barzani approved a \$10.8 billion budget for the Kurdistan Region, touching off protests in Sulaymaniyah, where demonstrators claimed that the budget-approval process lacked transparency. The budget includes funds for hiring 17,000 more government workers, and the KRG Prime Minister ordered the creation of a special committee to develop a strategy to fill these positions expeditiously. Under an agreement with Baghdad, the KRG contends that it is entitled to 17% of Iraq's national budget, which was \$100.1 billion in 2012. KRG representatives argued that Baghdad deducted a larger amount than was appropriate under the agreement to pay for federal expenses, resulting in the Region receiving only about 10.7% of 2012 GOI budget.⁴³

Leveraging the KRG's Electricity Advantage. The KRG operates its own electricity grid that is independent from the national grid administered by the Ministry of Electricity in Baghdad. In June, the rest of Iraq received an average of about 10 hours of power per day from the Baghdad-administered national grid—less than half the 20–22 hours per day available to residents of the Kurdistan Region. The KRG grid is powered



KRG and Turkish officials break ground on an upgrade of a power plant in Erbil in July 2012. (KRG photo)

primarily by three privately owned plants with a combined nameplate capacity of 2,250 MW. This quarter, the KRG announced plans to build a fourth major plant that would reportedly add another 980 MW to the KRG grid. Over the past year, the KRG has attempted to leverage the relative success of its electricity sector to exert an increased measure of control over disputed territories in Tameem and Ninewa provinces. In June 2011, the KRG began exporting power to Tameem province (this quarter averaging about 227 MW), which is home to the contested city of Kirkuk. This quarter, the KRG announced that it was once again importing power from Turkey—renewing a contract that the GOI allowed to expire in early 2011—and tying this transmission line to another line servicing Mosul and its environs, pointedly stating that any interruptions would only “harm the inhabitants of Mosul.”⁴⁴

Exporting oil and gas through Turkey. The ongoing dispute between the KRG and the GOI over reimbursement for oil exports from the Kurdistan Region continued this quarter, as the KRG did not export any of the 175,000 barrels per day (BPD) it had committed to earlier this year. In late May, the KRG Minister of Natural Resources announced plans to build new pipelines to Turkey that would include an export route bypassing Baghdad's control. According to KRG officials, the first of these pipelines could reach the Turkish border by next summer,

but the deal has not been finalized and continues to be strongly opposed by the GOI. However, in early July, the KRG announced that it had begun exporting modest amounts of oil via tanker truck to Turkey.⁴⁵

Enhancing relations with foreign countries. In June, Poland opened a consulate in Erbil, bringing to 25 the number of countries with an official presence in the Region. Also in June, the KRG opened a Representation Office in Austria. At the ceremony inaugurating the new KRG office in Vienna, the Austrian government announced that it would soon reciprocate by establishing a permanent presence in the Region. Earlier this quarter, Sweden opened an Embassy Section Office and Trade Council Office in Erbil as well. Other countries actively considering expanding diplomatic relations with the Region include the Czech Republic, Hungary, and Slovakia. In addition to deepening its diplomatic relations with other countries, the KRG recently announced that it would be strengthening its transportation links to the Gulf states. For example, in late May, Qatar Airways announced that it would begin passenger flights to Erbil four days a week. Similarly, Emirates, the United Arab Emirates flagship airline, announced that it would follow suit in August, flying passengers to Erbil four times a week. Emirates has been conducting regular cargo flights to the Region since February 2011.⁴⁶

Assassinations

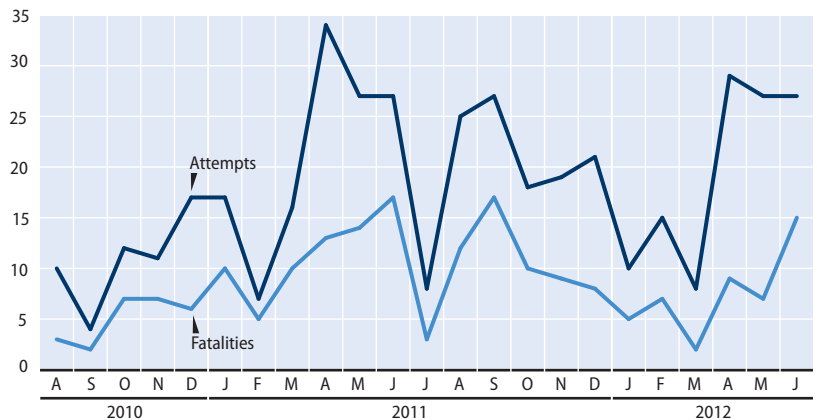
Anti-government forces continue to target prominent Iraqis for assassination. From mid-April through July 1, at least 32 senior GOI officials and prominent civilians were killed in apparent assassinations, up from 17 during the three-month period between mid-January and mid-April. Terrorists often targeted MOD and MOI officers, including the April 22 assassination of an Iraqi Army brigadier general in Baghdad and the botched attempt on the life of an MOI colonel in Baghdad on May 14.

Assassins also continued their nine-year assassination campaign against Iraqi judges this quarter, killing two judges based in Ninewa province and failing in their attempts to murder several others. As Iraqi Chief Justice Medhat al-Mahmoud pointed out to the Inspector General in their April 30 meeting, “the terrorists have changed their strategy from regular bombs . . . to sticky bombs [planted on automobiles] and planting bombs around the homes of their targets.”⁴⁸ Figure 1.4 compares the number of monthly assassination attempts to the number of successful assassinations from August 1, 2010, through June 30, 2012. For more information on this quarter’s major attempted and successful assassinations, see the Security and Rule of Law section.

Iraqi Security Forces

The GOI recently announced that the long-planned transition of security responsibilities for Baghdad from the MOD to the MOI would be implemented in phases over an unspecified period of time, ultimately leaving MOI in charge of security in about 75% of the city. Under this plan, the MOD would retain responsibility for key GOI facilities and several public spaces. In early July, the Acting Minister of Defense, Sa’adoun al-Dulaimi, reported that the nationwide transition of the domestic-security portfolio would also unfold gradually. The MOI would initially take responsibility for provinces rated by a joint MOD-MOI committee as “secure,”

FIGURE 1.4
ASSASSINATIONS OF SENIOR IRAQI OFFICIALS, ATTEMPTS VS. FATALITIES, 8/2010–6/2012



Note: May not capture all attempted assassinations and fatalities during the specified time period.

Source: SIGIR analysis of open-source documents in Arabic and English, 8/2010–6/2012.

before eventually assuming control over provinces judged to be more unstable.⁴⁹

Rule-of-law Developments

In May, the much-anticipated trial in absentia of Vice President Tariq al-Hashimi, a Sunni member of al-Iraqiya bloc, commenced in Baghdad. Al-Hashimi is accused of complicity with multiple assassinations. The initial proceedings saw several evidentiary decisions go against al-Hashimi, as multiple witnesses testified that he or his agents paid them to carry out murders in 2009 and 2011. As of mid-July, the trial stands in adjournment.

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Other significant judicial events this quarter included:⁵⁰

- the acquittal of Lebanese national Ali Musa Daqduq of involvement in the murders of U.S. military personnel in 2007 (Daqduq remains in Iraqi custody)
- the sentencing of a former MOI Director General to four years in prison for purchasing ineffective bomb-detection equipment from a British contractor
- the sentencing of a former Director General of a state-owned construction company to five years

- in prison for conspiring to spend more than \$15 million of public money on personal items
- the issuance of a report by Iraq’s main anticorruption agency, the Commission of Integrity (COI), that only 33% of provincial governors and 55% of ministers had submitted their mandatory financial disclosure forms as of July 10

section of this Report provides additional details on corruption in Iraq, including an interview with the head of the IG professional association.

ECONOMY

Macroeconomic Trends and Perceptions

In response to global economic uncertainty, the IMF revised Iraq’s projected gross domestic product growth for 2012 downward this quarter from 12.6% to 11.1%.⁵³ Still, according to an April 2012 poll, the majority of Iraqis (52%) viewed the national economy as strong, with only about one-third describing it as weak. This represents an almost complete turnaround in popular opinion from September 2011, when 49% of respondents thought the economy was weak, and only 33% described it as strong.⁵⁴ Figure 1.5 tracks Iraqi perceptions of the national economy from late 2010 through April 2012.

Oil: Record Production and Exports

Iraq’s oil production and export levels both set post-2003 record highs. Crude oil production averaged 2.93 million barrels per day (MBPD) for the first two months of the quarter, a 12% jump from last quarter. (Production figures for June were not yet available.) Exports for the quarter averaged 2.45 MBPD, 14% above the first quarter level. These increases were largely attributable to increased output from Iraq’s southern fields and the completion this spring of two new offshore single-point mooring stations.⁵⁵

Higher-than-projected oil prices enabled the GOI to earn \$22.78 billion from oil exports this quarter, ahead of estimates in the 2012 budget. But onshore pumping weaknesses and limited pipeline capacity could make it difficult for the GOI to increase exports significantly over the next year. Consequently, any sharp decline in the price of

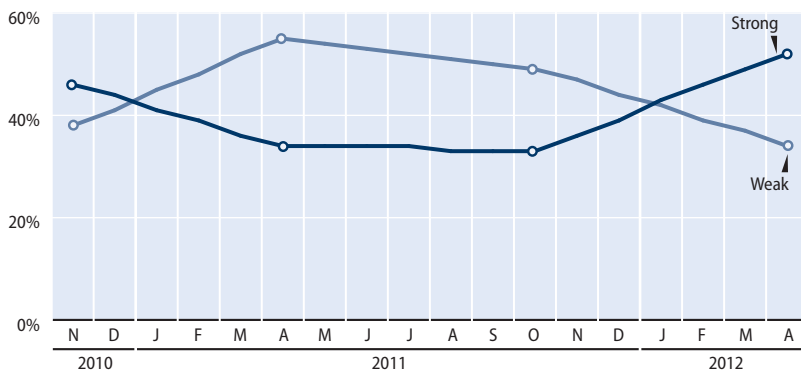
Corruption

The COI recently released its *Annual Report for 2011*. According to the report, the COI referred 5,682 individuals to court on various corruption charges in 2011—57% of whom were accused of the relatively minor offenses of forging educational or professional credentials (1,583) or “wasting” or “damaging” state funds (1,650).⁵¹

The two main anticorruption agencies established by the United States—the COI and the inspectors general (IGs)—continue to struggle to establish themselves in the minds of the Iraqi populace. According to the 2011 Iraq Knowledge Network survey, less than 25% of respondents said they would report a suspected act of public corruption to the COI, with less than 10% saying that they would tell an IG. Of the Iraqi institutions asked about in the survey, political parties were regarded as the most corrupt, with 62% of respondents describing them as very much or somewhat affected by corruption.⁵² The Security and Rule of Law

According to an April 2012 poll, the majority of Iraqis (52%) viewed the national economy as strong, with only about one-third describing it as weak.

FIGURE 1.5
PUBLIC OPINION ON THE STRENGTH OF IRAQ’S ECONOMY, 11/2010–4/2012
% of Respondents



Source: Greenberg Quinlan Rosner Research for NDI, “A Major Shift in the Political Landscape: Results from the April 2012 National Survey,” 5/2012, p. 6, greenbergresearch.com/articles/2763/7272_NDI-Iraq%20-%20April%202012%20National%20Survey%20-%20Presentation.pdf, accessed 6/14/2012.

oil—especially if it were to trade below the \$85-per-barrel assumption contained in Iraq’s 2012 budget for an extended period of time—could adversely affect Iraq’s economy and the GOI’s ability to finance reconstruction and development projects.⁵⁶

Fourth Petroleum Licensing Round

On May 30–31, the GOI conducted its fourth licensing round, offering 12 exploration blocks to foreign investors. Although 39 companies participated, just 7 bids were generated, and only 3 of were successful. Pakistan Petroleum, a consortium led by Russia’s Lukoil, and the Kuwait Energy Company won the rights to exploration blocks in Diyala (gas), Muthanna (oil), and Basrah (oil), respectively. Subsequently, the GOI entered into an agreement with the Russian firm Bashneft for an oil-exploration block in Najaf, bringing to 4 the number of deals that resulted from this round. The Prime Minister’s chief advisor on this licensing round ascribed the underwhelming results to the proximity to the Syrian border of several of the blocks on offer.⁵⁷ For details on the fourth licensing round, see the Economy section.

Diversifying the Iraqi Economy

The Ministry of Planning and Development Cooperation has begun work on Iraq’s next five-year *National Development Plan*, which will cover the years 2013–2017.⁵⁸ Central both to the current and upcoming national plans is the goal of keeping a greater amount of Iraqi private capital invested in Iraq. The Minister of Planning and Development Cooperation recently noted that achieving this objective is challenging because neighboring countries provide more attractive investment climates relative to Iraq. Nevertheless, Iraq continues to attract significant amounts of foreign investment. From April 1 to June 30, the GOI agreed to terms with foreign companies on more than 10 major projects. Figure 1.6 provides examples of international investment activity in Iraq this quarter.

SIGIR OVERSIGHT

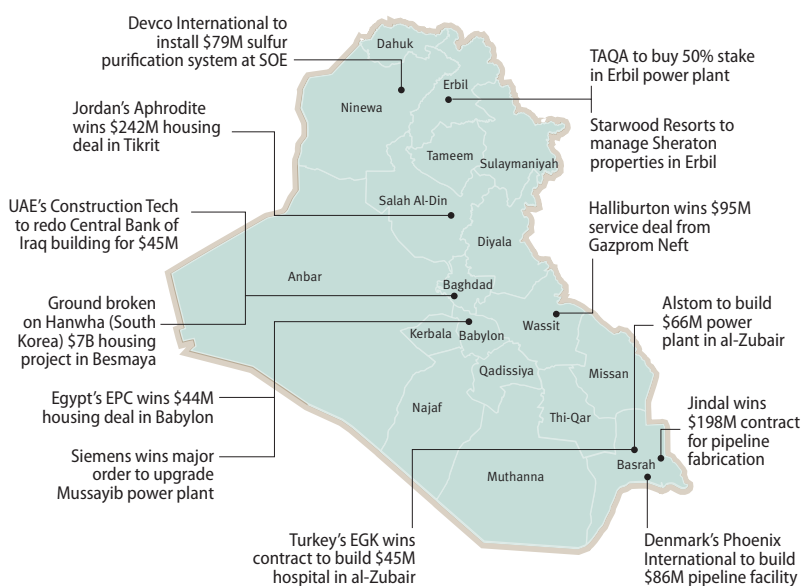
Audits

To date, SIGIR has published 214 audits. This quarter’s 4 audits reviewed:

- **INL’s Police Development Program.** The PDP has been significantly downsized since it began operations in fall 2011. The diminution stemmed chiefly from weak GOI support for the effort. High-ranking GOI officials had said that the program did not meet MOI’s needs. The funding provided to the PDP now exceeds its actual costs. Of the \$745 million already appropriated and allocated for the program in FY 2010 and FY 2011, at least \$118.2 million was unused as of March 2012 and remained available for INL to draw on for the remainder of FY 2012. It is unlikely that an FY 2013 appropriation will be needed.

The funding provided to the PDP now exceeds its actual costs.

FIGURE 1.6
INTERNATIONAL INVESTMENT ACTIVITY, SELECTED CONTRACTS, 4/2012–6/2012



Sources: U.S. Chamber of Commerce/Dunia Frontier Consultants, “Investing in Iraq,” 5/2012, p. 2, and 6/2012, p. 2; MEES, *Weekly Report*, Vol. 55 No. 25, 6/18/2012, p. 25.

- **Status of the FY 2011 ISFF.** As of June 26, 2012, approximately \$765.33 million of the \$1.15 billion in FY 2011 ISFF funds had been committed and obligated for the purchase of ammunition, spare parts, vehicles, training services, and sustainment-related expenses. DoD plans to use remaining funds to purchase logistics support for the Iraqi Air Force, armored vehicles, a reconnaissance and surveillance system, training, and other items.
- **SIGIR Final Forensic Audit Findings.** This report summarizes the results of SIGIR's forensic audits and investigations of Iraq reconstruction funds, meeting the congressional requirement for a final forensic audit report. The report recaps how SIGIR audits, inspections, and investigations found serious weaknesses in the government's controls over Iraq reconstruction funds, putting billions of taxpayer dollars at risk of being wasted or misappropriated. While the precise amount lost to fraud and waste can never be known, SIGIR believes it is significant. Such weaknesses in internal controls also provided opportunities for some individuals to commit fraud. SIGIR investigators, working with other federal and international investigative agencies, have developed information subsequently used to indict 87 individuals (of whom 66 have so far been convicted) for fraudulent activities, including bribery, the theft of government funds and property, submission of inflated invoices, and delivery of insufficient or inferior goods to U.S. personnel operating in Iraq.
- **U.S. Agencies' Reviews of Contractor Business Systems.** This report examined the extent to which the U.S. government has performed business-system reviews of DoD contractors that operated in Iraq from 2004 to 2011 and whose work amounted to less than \$100 million annually. SIGIR focused on four key contractor business systems—accounting, billing, estimating, and purchasing—and found multiple review-coverage gaps in its sample

of 35 DoD contractors. For example, U.S. agencies reviewed one or more of the four key systems of 21 contractors. Of these, however, the government reviewed all four systems for only five of them. In addition, 11 contractors had not been reviewed for four or more years, raising concerns about whether their controls were still adequate to reduce the risk of overcharges. While most contractors had their accounting and billing systems reviewed, less than one-third had a similar examination of their estimating and purchasing systems. DoD has taken some actions to improve its oversight, but SIGIR believes smaller contractors operating in contingency environments need additional oversight because of the increased risks associated with operating in such settings.

For detailed summaries of these audits, see Section 5.

Human Toll of Stabilization and Reconstruction Operations

This quarter, SIGIR published the second of three Special Reports examining the efficacy of the Iraq reconstruction program, as well as its consequences. *The Human Toll of Reconstruction and Stabilization during Operation Iraqi Freedom* attempts to account for the number of personnel—U.S. servicemembers and civilians, Iraqis, and third-country nationals—who were killed while engaging in stabilization and reconstruction operations (SROs) (not in combat or those who died from natural causes, in accidents, or by suicide).

Based on the best available data from DoD, DoS, USAID, the Department of Labor, and the U.S. Army Corps of Engineers, SIGIR determined that at least 719 individuals were killed while working on missions specifically related to SROs between May 1, 2003, and August 31, 2010. This includes 318 Americans (264 military personnel and 54 civilians), 271 Iraqis, 111

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The Inspector General Briefs Prime Minister Nuri al-Maliki on SIGIR Oversight of the Development Fund for Iraq (DFI)

On April 29, the Inspector General met with Prime Minister Nuri al-Maliki in Baghdad to discuss SIGIR oversight of the Development Fund for Iraq (DFI). Established in 2003 by United Nations Security Council Resolution (UNSCR) 1483, the DFI was managed by the Coalition Provisional Authority (CPA) during the 14-month period in 2003–2004 when it served as the de facto government of Iraq. The DFI account at the Federal Reserve Bank of New York (FRBNY) held Iraqi funds obtained from oil and gas sales, certain remaining deposits from the Oil for Food program, and repatriated national assets. Under UNSCR 1483, the CPA was to use DFI funds for the benefit of the Iraqi people, including financing reconstruction and civil-administration programs as well as humanitarian initiatives. Of the \$20.7 billion in DFI funds that the CPA had control over, it directed the expenditure of about \$14.1 billion, including \$5.9 billion disbursed directly from FRBNY through Electronic Fund Transfer (EFT) payments.⁵⁹

In his meeting with the Prime Minister, the Inspector General summarized SIGIR's recent oversight findings and briefed the Prime Minister on upcoming audits addressing the U.S. management of Iraqi funds. Topics addressed included:⁶⁰

- **DoD's inability to account for DFI funds used after the CPA dissolved.**

The CPA completed its mission on June 28, 2004. In the wake of the CPA's dissolution, the GOI authorized DoD to use \$3 billion in DFI funds to make payments on contracts awarded by the CPA. Most of the funds (\$2.8 billion) were held in an FRBNY sub-account, with the remainder (\$217 million) held in a vault in the Republican Palace in Baghdad. A SIGIR audit issued in January 2012 found that DoD could not account for about two-thirds of this



The Inspector General and Prime Minister al-Maliki meet in April 2012 to discuss the Development Fund for Iraq.

money. Although FRBNY records show that DoD made about \$2.7 billion in payments from the sub-account, DoD could provide SIGIR with documentation supporting only about \$1 billion. DoD's inability to locate key financial documentation prevented SIGIR from conducting a thorough and complete audit of the DFI. The Prime Minister expressed his gratitude on behalf of the Iraqi people for SIGIR's efforts to track this money, but stated that he was gravely concerned about the disposition of these funds, which rightly belong to the people of Iraq.

- **CPA's financial controls for EFT payments.**

In reviewing SIGIR's April 2012 audit of \$5.9 billion in EFT payments from the DFI, the Inspector General told the Prime Minister that the CPA's record was mixed. Most EFT transactions made in 2003 were well documented. However, EFT payments made in 2004 often lacked the key financial documentation. For example, the almost complete absence of records relating to \$44 million in EFT payments that allegedly financed some Iraqis' Hajj pilgrimages made it impossible for SIGIR to determine what, if any, services were received for these expenditures. In SIGIR's review of 2004 EFT transactions, the documents most often missing were receiving reports—essentially the paperwork that would detail what exactly

was obtained in return for the funds expended. The Prime Minister concurred with SIGIR that adequate oversight was lacking in the early years of the U.S. reconstruction effort, and noted that the GOI has established its own committee, staffed in part by international attorneys, that has been charged with tracing and repatriating DFI funds.

- **Upcoming DFI oversight.** The Inspector General informed the Prime Minister that SIGIR will be issuing two more reports examining the use of Iraqi funds. This fall, SIGIR will publish an audit of the \$2.4 billion in DFI funds spent by the U.S. Army Corps of Engineers during and after the CPA's tenure. In addition to this audit, SIGIR will also issue a final, comprehensive capping report on U.S. management of Iraqi funds. This report will review the status of the \$20.7 billion in DFI funds that were under the control of the CPA and look at how the U.S. handled smaller programs that used Iraqi funds, such as the Iraq-Commander's Emergency Response Program (I-CERP). Expressing satisfaction with SIGIR's oversight strategy, the Prime Minister noted that the GOI is also contemplating taking legal action to recover DFI funds and seek appropriate sanctions against those who allegedly misused them.

third-country nationals, and 19 others. Most of the casualties, at least 513 personnel (71%), died while supporting projects developing Iraq's infrastructure and civil society. The paucity of accurate and complete data means that these figures represent the minimum number of personnel killed while conducting SROs. The actual total, especially for Iraqi deaths, was certainly significantly higher.

Investigations

Since 2004, the work of SIGIR's Investigations Directorate has resulted in 90 indictments, 72 convictions, and \$177.0 million in court-ordered fines, forfeitures, and other monetary penalties. The Insert accompanying this Report examines one of SIGIR's most significant cases—the “Cockerham Conspiracy”—which to date has led to 22 convictions and more than \$61 million in monetary penalties from 14 of those convictions.

This quarter, significant investigative accomplishments included:

- On May 16, Amasha King, a U.S. Army Reserve sergeant, was sentenced to 3 months in prison and 5 years probation and ordered to pay \$20,500 in restitution for receiving payments from a DoD contractor in return for preferentially processing that contractor's invoices, thereby allowing the contractor to be paid more expeditiously and, ultimately, to bid for more contracts than it otherwise could have financed.
- On May 17, former U.S. Army Major Nicole Luvera pled guilty to stealing \$48,000 from funds set aside to pay obligations incurred by the United States while she was serving as the deputy disbursing officer at Camp Speicher in Iraq from July 2007 to September 2008. As part of the plea agreement, she has agreed to repay the \$48,000. At her sentencing in August, she faces up to 10 years in prison and a fine of \$250,000.
- On May 21, British citizen Ahmed Kazzaz pled guilty to paying more than \$947,500 in unlawful kickbacks to two individuals employed by

a prime contractor to the U.S. government in order to receive subcontracts valued at more than \$23 million. The work performed under the subcontracts involved the clearing, storing, and disposing of weapons seized or abandoned in Iraq from 2003 through 2008 under the Coalition Munitions Clearance Program. His two co-conspirators pled guilty earlier this year and are awaiting sentencing. Kazzaz is scheduled to be sentenced in October.

- On June 1, U.S. Army Captain Michael Rutecki was sentenced to three years of probation and ordered to pay \$12,500 in monetary penalties for accepting bribes—including 15 gold coins valued at more than \$10,000—from an Iraqi contractor in return for assisting the contractor in obtaining CERP contracts from the U.S. government.
- On June 6, U.S. Army Major Christopher Bradley was sentenced to serve six months in prison followed by one year of supervised release and ordered to pay \$20,000 restitution for accepting \$20,000 in illegal gratuities while serving in Mosul in 2008. He received these illicit payments in exchange for illegally providing special treatment to a contractor, including helping employees of that contractor circumvent security procedures on a U.S. military base.
- On June 13, retired U.S. Army Lieutenant Colonel Derrick Shoemake was sentenced to three years and five months in prison followed by two years of supervised release and ordered to pay \$250,000 in monetary penalties for receiving bribes from two government contractors in exchange for providing improper assistance to them during his tenure as a contracting officer's representative at Camp Arifjan in 2005 and 2006.
- On June 25, U.S. Army Sergeant First Class Richard Evick and his associate, Crystal Martin, were convicted on all counts of an eleven-count indictment in connection with their roles in a wide-ranging bribery and money-laundering scheme at Camp Arifjan. Evick played a crucial role in improperly steering contracts worth

One of SIGIR's most significant cases—the “Cockerham Conspiracy”—has led to 22 convictions and more than \$61 million in monetary penalties.

nearly \$24 million to certain companies in exchange for receiving about \$170,000 in bribes. Martin conspired with Evick to launder much of the bribe money through a concession she controlled at the Camp Arifjan post exchange (PX). To conceal their ill-gotten gains, Evick and Martin also smuggled cash into the United States and converted some of the bribe money to Western Union wires, money orders, cashier's checks, and personal checks. Evick and Martin face a maximum sentence of 5 years in prison for bribery conspiracy, 20 years in prison for money-laundering conspiracy, and 20 years in prison for each count of money laundering. Evick also faces a maximum of 15 years in prison for each count of bribery, 5 years for obstructing an agency proceeding, and the forfeiture of the proceeds of his bribe scheme, which includes his West Virginia residence. Evick and Martin also face maximum fines of \$250,000 per count.

- On July 9, David Welch, a former employee of a U.S. government contractor, was sentenced to two years in prison followed by three years of supervised release and ordered to pay \$160,000 in restitution for conspiring to steal and resell on

the Iraqi black market 38 generators belonging to the U.S. government. Welch and his co-conspirator planned and executed this scheme while Welch was working at a U.S. military base near Baghdad in 2011.

As of early July, SIGIR had 97 open investigations, most of which were being conducted in close cooperation with other federal law-enforcement agencies.

SIGPRO

In 2010, SIGIR expanded its investigative capacity by hiring three experienced federal prosecutors and detailing them to the Department of Justice to work on cases related to the Iraq reconstruction program. This quarter, in *United States v. Pfluger*,⁶¹ a case prosecuted by a SIGPRO Prosecutorial Initiative (SIGPRO) attorney, the U.S. Court of Appeals for the Fifth Circuit upheld the lower court's ruling. It held that the Wartime Suspensions of Limitations Act operated to suspend the statute of limitations for certain frauds committed against the United States during the pendency of the war in Iraq. Consequently, the defendant's conviction was upheld. ♦

This quarter, in *United States v. Pfluger*, a case prosecuted by a SIGPRO attorney, the U.S. Court of Appeals upheld the lower court's ruling.