



MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

I am pleased to present this 29th Quarterly Report to the United States Congress and the Secretaries of State and Defense.

The \$61.45 billion U.S. reconstruction program in Iraq is undergoing its most significant transition since inception eight years ago. Of the many changes that will occur in the balance of 2011, the most momentous will be the departure of all U.S. troops by December 31. This historic event will signal the completion of the “civilianizing” of the U.S. reconstruction program.

The U.S. military has accomplished an extraordinary amount since 2003, from training and equipping 700,000 Iraqi Security Forces (ISF) personnel through the Multi-National Security Transition Command-Iraq, to the management of billions of dollars in construction projects by the U.S. Army Corps of Engineers (USACE). Regular U.S. Army brigades also spent about \$4 billion in Commander’s Emergency Response Program funds to meet the needs of the Iraqi people. Indeed, Iraq is the place where money came to be seen as a “weapon system” and where the Army’s new stabilization doctrine became fully realized. The military’s enormous programs will wind up this year or move, as necessary, to Department of State (DoS) control.

Significant DoS transition milestones for 2011 include:

- the closure of the 14 remaining Provincial Reconstruction Teams
- the opening of new diplomatic outposts in several cities
- the assumption of the Police Development Program
- an increase in civilian personnel (government and contractor) from 8,000 to 17,000

In the face of these impending and ongoing changes, Iraq is enduring a period of increasing instability marked by the following:

- frequent street protests, with thousands involved in cities stretching from Sulaymaniyah to Baghdad to Basrah, usually voicing anger about poor services and rampant corruption and sometimes suffering violent repression by Iraqi police; protests have been banned in several cities
- breakdowns in the governing coalition that resolved the political stalemate last December, most notably underscored by Ayad Allawi’s refusal to take office as the Chair of the proposed National Council for Higher Policies
- continuing vacancies in key cabinet offices, including the Ministries of Interior and Defense
- a rise in assassinations of ISF personnel

Despite these difficulties, Iraq made progress this quarter:

- The Council of Representatives passed an \$82.6 billion budget, debated government pay cuts (because salaries are seen as exorbitant by the Iraqi populace), suggested term limits for senior officials, suspended the implementation of new tariffs on key consumer goods, and addressed the corruption problem by repealing the notorious Article 136(b) of the Iraqi Criminal Procedure Code, which allowed ministers to protect subordinates from prosecution.

- The economy continued to benefit from oil-sector growth, with the Ministry of Oil announcing a fourth round of bidding to auction off more exploration blocks this fall.
- National security remained stable, with February marking the lowest number of total reported security incidents since 2004. (However, in late March, a team of suicide attackers stormed a provincial government facility in Tikrit, murdering at least 58 people, including three Provincial Council members.)

SIGIR published six audits this quarter, including:

- a review of how DoS and the U.S. Agency for International Development (USAID) managed Quick Response Fund monies, totaling more than \$250 million, determining that, while USAID had good management controls in place over its part of the program, DoS lacked sufficient documentation
- an audit of USAID's oversight of the Cooperative Housing Foundation's management of the Community Action Program, finding that the contractor performed well, but USAID relied too greatly on outside sources for information about project implementation and results
- a report concluding that USAID has implemented all but two of SIGIR's previous findings
- audits finding that USACE's Gulf Region District effectively monitored its private security contractor and used appropriate criteria in determining whether to recommend completion of its remaining projects by the end of 2011

This quarter, SIGIR's investigative work yielded its 50th conviction for crimes committed in connection with the U.S. reconstruction effort in Iraq. In April, the Council of Inspectors General on Integrity and Efficiency announced that SIGIR's Investigations Directorate had passed its mandated peer review. Other investigative accomplishments include:

- a guilty plea by a former DoS official on charges relating to the fraudulent steering of \$2.7 million in contracts to Iraqi firms
- the sentencing to six years in prison of a U.S. Marine Corps captain for stealing funds intended to purchase explosive detectors and first-aid kits for his fellow Marines and other materials intended for the ISF
- the convictions of a U.S. Army officer and his wife on 22 criminal counts arising from a bribery and money-laundering scheme

In late April, I will make my 30th trip to Iraq to confer with senior U.S. civilian and military personnel about the major transitions occurring this year. I will also meet with GOI officials to obtain their views on the state of the U.S. reconstruction effort, including the Police Development Program, and their plans for sustaining U.S. reconstruction projects.

I remain grateful for the consistently excellent performance by my SIGIR team in Baghdad, Iraq; Arlington, Virginia; and other locations across the United States. We collectively remain committed to the highest standards of professionalism and productivity as we persevere in accomplishing our mission on behalf of U.S. taxpayers.



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