RECONSTRUCTION FUNDING USES AND OUTCOMES

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Security 40
Infrastructure 50
Governance 64
Economy 75
SIGIR classifies the major U.S. reconstruction funds by their use into 4 reconstruction areas, comprising 17 sectors. Developments in the Security, Infrastructure, Governance, and Economy areas are discussed in the following pages of this Report. For the status of U.S. reconstruction funding by use, see Table 3.1. For quarterly obligations and expenditures, by reconstruction area, see Figure 3.1. For the status of major funds, by program, in each of SIGIR’s four reconstruction areas, see Appendix C.

### Table 3.1
**Status of Major U.S. Reconstruction Funds by Use**

<table>
<thead>
<tr>
<th>Area</th>
<th>Sector</th>
<th>Allocated</th>
<th>Obligated</th>
<th>Expended</th>
<th>Obligated</th>
<th>Expended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security</td>
<td>Equipment</td>
<td>7.29</td>
<td>6.80</td>
<td>6.29</td>
<td>-0.02 (0%)</td>
<td>0.26 (4%)</td>
</tr>
<tr>
<td></td>
<td>Training</td>
<td>6.11</td>
<td>5.73</td>
<td>5.58</td>
<td>0.05 (1%)</td>
<td>0.13 (2%)</td>
</tr>
<tr>
<td></td>
<td>Infrastructure</td>
<td>5.81</td>
<td>5.54</td>
<td>4.92</td>
<td>-0.01 (0%)</td>
<td>0.08 (2%)</td>
</tr>
<tr>
<td></td>
<td>Sustainment</td>
<td>2.55</td>
<td>2.45</td>
<td>2.18</td>
<td>0.04 (2%)</td>
<td>0.01 (0%)</td>
</tr>
<tr>
<td></td>
<td>Rule of Law</td>
<td>1.50</td>
<td>1.49</td>
<td>1.27</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Related Activities</td>
<td>1.27</td>
<td>1.16</td>
<td>1.01</td>
<td>0.04 (4%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Subtotal</strong></td>
<td><strong>24.52</strong></td>
<td><strong>23.17</strong></td>
<td><strong>21.25</strong></td>
<td><strong>0.07 (0%)</strong></td>
<td><strong>0.52 (3%)</strong></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Electricity</td>
<td>5.16</td>
<td>5.00</td>
<td>4.86</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Water and Sanitation</td>
<td>2.75</td>
<td>2.64</td>
<td>2.48</td>
<td>0.01 (0%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Oil and Gas</td>
<td>2.06</td>
<td>1.93</td>
<td>1.91</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>General Infrastructure</td>
<td>1.25</td>
<td>1.24</td>
<td>1.24</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Transportation and Communications</td>
<td>1.16</td>
<td>1.10</td>
<td>0.99</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Subtotal</strong></td>
<td><strong>12.38</strong></td>
<td><strong>11.90</strong></td>
<td><strong>11.48</strong></td>
<td><strong>0.01 (0%)</strong></td>
<td></td>
</tr>
<tr>
<td>Governance</td>
<td>Capacity Development</td>
<td>2.56</td>
<td>2.34</td>
<td>1.99</td>
<td>0.05 (2%)</td>
<td>0.09 (5%)</td>
</tr>
<tr>
<td></td>
<td>Democracy and Civil Society</td>
<td>2.20</td>
<td>2.20</td>
<td>1.80</td>
<td>0.16 (8%)</td>
<td>0.14 (9%)</td>
</tr>
<tr>
<td></td>
<td>Public Services</td>
<td>1.96</td>
<td>1.92</td>
<td>1.75</td>
<td>0.01 (1%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Humanitarian Relief</td>
<td>0.93</td>
<td>0.93</td>
<td>0.82</td>
<td>0.11 (13%)</td>
<td>0.08 (10%)</td>
</tr>
<tr>
<td></td>
<td><strong>Subtotal</strong></td>
<td><strong>7.64</strong></td>
<td><strong>7.40</strong></td>
<td><strong>6.36</strong></td>
<td><strong>0.31 (4%)</strong></td>
<td><strong>0.32 (5%)</strong></td>
</tr>
<tr>
<td>Economy</td>
<td>Economic Governance</td>
<td>0.80</td>
<td>0.82</td>
<td>0.76</td>
<td>0.01 (2%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Private Sector Development</td>
<td>0.75</td>
<td>0.75</td>
<td>0.61</td>
<td>0.01 (1%)</td>
<td>0.04 (7%)</td>
</tr>
<tr>
<td></td>
<td><strong>Subtotal</strong></td>
<td><strong>1.55</strong></td>
<td><strong>1.57</strong></td>
<td><strong>1.37</strong></td>
<td><strong>0.01 (1%)</strong></td>
<td><strong>0.05 (4%)</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>46.10</strong></td>
<td><strong>44.03</strong></td>
<td><strong>40.46</strong></td>
<td></td>
<td><strong>0.40 (1%)</strong></td>
<td><strong>0.90 (2%)</strong></td>
</tr>
</tbody>
</table>

**Note:** Data not audited. Numbers affected by rounding. OSD does not report CERP allocation, obligation, and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP allocation, obligation, and expenditure data from the IRMS, which lags in reporting by one quarter. Therefore, totals may not match top-line values found in the Funding Sources subsection of this Report.

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SECURITY

As of December 31, 2009, the United States had allocated $24.52 billion, obligated $23.17 billion, and expended $21.25 billion for programs and projects to develop the ISF and support the rule of law in Iraq. This quarter, security programs accounted for 18% of all new obligations and 58% of all new expenditures from the four major reconstruction funds. For the status of U.S. funding for security, see Figure 3.2 and Table 3.2.

There were $72.8 million in net obligations for security programs this quarter, 93% fewer than last quarter. Training and Sustainment for the Iraqi Security Forces (ISF) accounted for most new obligations this quarter. They were partially offset by large de-obligations for Ministry of Interior (MOI) equipment and smaller de-obligations for Infrastructure. The ISFF accounted for all new obligations reported for security programs; $257,000 was de-obligated from ESF-funded programs.

This quarter, expenditures for security programs rose by $520.3 million, 68% less than last quarter. Equipment procurement for the ISF accounted for nearly half of all new expenditures in the security sector. Training for the MOI was the next largest expenditure. The ISFF accounted for virtually all new expenditures reported for security programs, and the CERP accounted for just $3.0 million of total reported expenditures.

Continuing the Transition of Security Responsibilities

DoD reports that U.S. forces in Iraq are “fully engaged,” supporting the mission in two primary ways:

- partnering with the ISF in combat operations outside the cities
- providing important “enabling functions” for Iraqi soldiers and police within the cities, such as intelligence, surveillance, and reconnaissance, as well as communications, explosive ordnance disposal, and crime-scene analysis

For information on historical security trends since 2003 and the status of security personnel operating in Iraq, see Figure 3.3.

Security Concerns

Overall security incidents in Iraq have decreased by 83% over the past two years, and U.S. military deaths have decreased by more than 90%. Improvised explosive device (IED) attacks in Iraq have

FIGURE 3.2
SECURITY: STATUS OF FUNDS
$ Billions

Note: Data not audited. Numbers affected by rounding. OSD does not report CERP allocation, obligation, and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP allocation, obligation, and expenditure data from the IRMS, which lags in reporting by one quarter. Therefore, totals may not match top-line values found in the Funding Sources subsection of this Report.


The Security Agreement fundamentally altered how we conduct operations in Iraq, clearly putting Iraqi forces in the lead... All military operations were conducted by, with, and through the Iraqi Security Forces, according to their rule of law—their rule of law established by their constitution.

—General Raymond Odierno, Commander USF-I, December 9, 2009
Sunni, and Shia militants, appear to be targeting mixed urban areas—including those in Ninewa, Tameem, Diyala, and Baghdad provinces—with the intent of inciting sectarian violence as well as undermining public perception of the Iraqi government. High-profile bombings continue, such as the multiple attacks in October and December 2009 near Iraqi government sites in Baghdad. These attacks claimed the lives of hundreds of people and injured more than 1,000.

Many underlying sources of instability persist, potentially putting recent security gains at risk. Internal ethnosectarian divisions remain at the forefront of disputes over political borders in the contest for natural resources. The AQI, as well as Kurdish, decreased nearly 80% during the same time, while car bomb and suicide-vest attacks decreased by 92%. November 2009 saw the lowest number of security incidents and civilian deaths since the war began in 2003. And December 2009 was the first month since the commencement of the war in which no U.S. troops died as a result of hostilities.

DoD reports that the al-Qaeda in Iraq (AQI) terrorist network has been degraded and its funding reduced by 50%. Nonetheless, high-profile bombings continue, such as the multiple attacks in October and December 2009 near Iraqi government sites in Baghdad. These attacks claimed the lives of hundreds of people and injured more than 1,000.

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Figure 3.3

**Security in Iraq, 1/2004–12/2009**

### Security Forces Protecting Iraq

- **U.S. Forces**
  - 2004: 90,000
  - 2005: 100,000
  - 2006: 110,000
  - 2007: 120,000
  - 2008: 130,000
  - 2009: 140,000
- **Coalition Forces (Non-U.S.)**
  - 2004: 90,000
  - 2005: 100,000
  - 2006: 110,000
  - 2007: 120,000
  - 2008: 130,000
  - 2009: 140,000
- **Facilities Protection Service**
  - 2004: 90,000
  - 2005: 100,000
  - 2006: 110,000
  - 2007: 120,000
  - 2008: 130,000
  - 2009: 140,000

### Monthly Security Incidents and Civilian Fatalities

- **Iraqi Security Forces**
- **Contractors**
- **Coalition Military (Non-U.S.)**
- **U.S. Military**

### Monthly Security Force and Contractor Fatalities

- **U.S. Military**
- **Contractors**
- **Coalition Military (Non-U.S.)**

### Annual Security Incidents per 10,000 People, by Province

#### Source:

### Change Over Last Quarter

<table>
<thead>
<tr>
<th>Province</th>
<th>Incidents</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baghdad</td>
<td>500</td>
<td>59%</td>
</tr>
<tr>
<td>Diyala</td>
<td>450</td>
<td>188%</td>
</tr>
<tr>
<td>Anbar</td>
<td>296</td>
<td>243%</td>
</tr>
<tr>
<td>Missan</td>
<td>189</td>
<td>68%</td>
</tr>
<tr>
<td>Wasit</td>
<td>123</td>
<td>80%</td>
</tr>
<tr>
<td>All Others</td>
<td>757</td>
<td>50%</td>
</tr>
<tr>
<td>Total</td>
<td>2,315</td>
<td>84%</td>
</tr>
</tbody>
</table>

Note: Data not audited. Numbers affected by rounding. "U.S. Surge" denotes period when at least 150,000 U.S. troops were in Iraq. The MOI and MOD historical line represents trained forces; the totals represent assigned forces. Total fatalities for the ISF exclude fatalities before 1/1/2005, because of lack of data. Security incidents data from two sources are displayed: MNC-I, for 1/1/2004–5/31/2009, and USF-I for 4/1/2009–12/31/2009 (USF-I incorporates GOI reports). Data supplied by USF-I were incomplete, and SIGIR projected monthly totals for July and December 2009.
SECURITY

**Figure 3.4**

**Deaths Associated with Multiple-fatality Bombings in Iraq, by Group Targeted, 1/1/2007–12/31/2009**

<table>
<thead>
<tr>
<th>Group</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shia</td>
<td>3,974</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sunni</td>
<td>1,168</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kurd</td>
<td>828</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S./Coalition</td>
<td>1,668</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ISF, GOI Personnel</td>
<td>2,206</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indiscriminate/Unknown</td>
<td>2,206</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 person represents 100 deaths.

**Note:** Totals correspond with attacks that targeted a particular group or occurred in an area in which the group was in the majority. “Indiscriminate” bombings occurred in areas with mixed sectarian populations. “Unknown” corresponds with attacks where no sectarian information or location was reported.


**Figure 3.5**

**Significant Security Incidents by Region, 10/21/2009–1/13/2010**

*Resulting in Two or More Deaths*

The past three years, see Figure 3.4; and for recent security incidents resulting in the death of two or more people, see Figure 3.5. For more information on ongoing political and legislative issues affecting both the GOI and the Kurdistan Regional Government (KRG), including efforts to resolve differences, see the Governance subsection.

**Iraqi Security Forces**

As of December 2009, ISF force strength in the MOI, MOD, and Iraqi National Counter-Terrorism Force reportedly totaled 660,334 assigned personnel. The MOD has approved a force structure that calls for 14 Iraqi Army (IA) divisions; a Navy of 3,800 personnel, including two Marine battalions; and an Air Force of 6,000 personnel. The MOD has also begun to develop and plan for units across a range of disciplines: engineering, bomb disposal, medical evacuation, signal, intelligence, surveillance, and reconnaissance.

The MOI continues to make organizational adjustments in its forces. However, GOI budget constraints are limiting MOI expansion of security forces and delaying equipment and sustainment priorities. Both the MOI and MOD had a hiring freeze throughout 2009. According to DoD, the MOI has improved its training capacity, but still suffers from generally poor facilities and budget shortfalls. The MOD faces budget constraints, logistical and sustainment challenges, a recruiting shortfall, and a shortage of mid-grade leadership among officers and non-commissioned officers.

The Iraq Training and Advisory Mission (ITAM) has set a priority for developing minimal essential capabilities within the Iraqi security ministries by December 31, 2011, and emphasizing like capabilities in the MOI and MOD to enhance coordination and information sharing. ITAM notes that the ISF must still overcome significant challenges to developing self-sustaining capacity in its combined forces.
Sons and Daughters of Iraq
The United States has obligated and expended more than $392 million to support the Sons of Iraq (SOI) since the program’s inception in 2007. This quarter, SIGIR initiated an audit on the program to review program planning, intended goals, and results, including:
- management, oversight, and coordination of the SOI program with other security initiatives
- costs of the program, including controls over SOI salaries and other payments
- actions to involve and transition the GOI in the SOI program
- sustainment of the SOI by the GOI

The GOI has been responsible for financial support of the SOI since May 2009. All of the approximately 89,000 SOI members in nine provinces are under the control of the GOI, which is responsible for their placement in continuing occupations (including the ISF). USF-I currently has no visibility into vocational programs offered to SOI. However, U.S. forces have continued to support GOI officials in transitioning SOI to other employment and overcoming the challenges of what DoD describes as an inefficient pay system.

DoD reports that more than 38,000 SOI members have been transitioned to non-security ministry jobs since 2008, and an additional 4,565 have joined the ISF. Targeting of SOI by AQI and various other extremist groups continues to pose a threat to SOI.

In Baghdad, 3 DOI members have transitioned into the Iraqi Police (IP), and 10 recently graduated from the Iraqi Police College. Another 32 are being paid by the GOI to continue working with the SOI. In Anbar, 49 DOI have been hired by the MOL. However, there is no plan to transition...
the remaining DOI into permanent employment within the ISF.152

**Foreign Military Sales**

As of December 31, 2009, the Foreign Military Sales (FMS) program included 143 MOI and MOD cases in the execution phase, valued at $4.40 billion; $1.51 billion of these have been delivered.153

DoD reports that as of November 2009, 31 MOD cases had been fully delivered, and the MOD is collecting delivery documents from the depots to support the closeout of these cases. Another 53 cases have been partially delivered. The MOI signed $181 million in new cases for road construction to provide better access to patrol the Syrian and Iranian borders.154 The U.S. Army Corps of Engineers (USACE) reports continuing work on its first FMS project with Iraq: the $53 million Umm Qasr pier and seawall project for the Iraqi Navy in Basrah province.155

Thus far, 3 MOI FMS cases have been fully delivered, and 13 cases have been partially delivered. U.S. forces continue to work with the GOI to improve the transparency of ordered deliveries, delivery documentation, and financial accountability of FMS goods and services. A U.S. logistics team recently began training Iraqis from the MOD, MOI, and Board of Supreme Audit (BSA) on FMS and other logistics processes to reinforce the importance of accountability and responsibility. But much remains to be done. As of December 2009, neither the MOD nor the MOI had established procedures or assigned agencies to perform logistics document management functions necessary to collect and distribute FMS delivery data.156

Any FMS projects initiated by the GOI that are not completed by June 2011 will transfer to U.S. Embassy-Baghdad’s Office of Security Cooperation-Iraq for oversight.157 In coordination with CENTCOM, that office will assume full oversight for these projects after December 2011, and DoD reports that some form of professional engineering organization must remain in Iraq to complete FMS infrastructure projects.158

**The Rule of Law**

As of December 31, 2009, the United States had allocated $1.50 billion, obligated $1.49 billion, and expended $1.27 billion to improve rule of law, including human rights, in Iraq.159 Programs and projects include reconstructing judicial and corrections facilities, investigating crimes against humanity, improving the capacity and professionalism of law enforcement institutions, funding legal defense centers to promote fair trial practices, paying Iraqi attorneys to represent the indigent, and assigning Judge Advocate General Attorneys and specialists to review files for Coalition-held detainees, thereby reducing pre-trial detention time.

**Supporting Recovery of the MOJ and HJC**

The mass bombings of October 25 and December 8, 2009, posed new challenges for U.S. rule-of-law (RoL) efforts in Iraq and caused previously identified problems to resurface. U.S. Embassy-Baghdad’s RoL Director noted that, despite after-action discussions with the GOI that followed bombings in August 2009, the Iraqi response to the October 25 bombings indicate that greater cooperation is required among the multiple directorates of the MOI and between the MOI and MOD.160

The Ministry of Justice (MOJ) building was badly damaged in the October attack, requiring relocation of 1,200 ministry personnel as well as other GOI functions located in the building, including the Higher Judicial Council (HJC). The ministry faced many other challenges as it re-established authority over operations at new locations throughout greater Baghdad. The bombing killed 21 MOJ employees, and more than 160 were severely injured, requiring medical treatment or hospitalization. Since the October 25 bombings, heightened security has slowed the engagement of U.S. government personnel and contractors with key ministry staff.161

DoS’s Bureau of International Narcotics and Law Enforcement Affairs (INL) provided more than $300,000 to the MOJ and HJC in post-blast support
for computers, printers, office furniture, and other equipment, as well as a security assessment and loaned vehicles. USAID also provided support through a Quick Response Fund grant of $199,950 under the Iraq Rapid Assistance Program.162

Judicial Security
Under Minister al-Bolani, the MOI has increased its commitment to providing protection for the judiciary. In late 2008, the MOI and HJC began to develop a national judicial security plan, which calls for the MOI to establish a Judicial Protection Unit (JPU) to provide a personal security detachment (PSD) of five personnel for each of Iraq’s 1,200-plus judges. Currently, the PSDs are staffed by 5,000 HJC security personnel working side by side with MOI police.163

Additionally, USF-I is coordinating with INL and the U.S. Department of Justice (DoJ) to support the MOI in delivering two separate PSD training courses. The course at Camp Dublin focuses on training MOI police officers, and the course at the Baghdad Police College trains smaller groups of HJC guards. INL continues its capacity-building project within the judiciary’s security force by developing with HJC a four-week Facilities Protection Service (FPS) basic-officer training course.164

Forming the JPU has been a slow process, and Chief Justice Medhat al-Mahmoud has noted the difficulties inherent in having security personnel receiving orders from two different agencies. To address these problems, the MOI recently announced several reforms that it has yet to implement:165

- HJC officers participating in the program will be transferred to the MOI.
- PSDs will eventually be staffed completely by MOI police officers.
- Judges may select the police officers assigned to their PSDs.

Court Docket Backlog
U.S. officials report that Iraq’s civil and other cases outside the criminal system appear to be adjudicated under a relatively normal timeline. But the criminal justice docket continues to be mired with military security-detainee cases. At some large detention facilities, such as the one located at Rusafa, the U.S. government has funded legal defense centers similar to U.S. public-defender programs. Salaried Iraqi defense attorneys employed at such centers are made available to defendants who otherwise would be forced to rely on the traditional court-appointed counsel system, which is generally regarded as ineffectual. While affording a better level of representation to these defendants, these U.S.-funded Iraqi attorneys also help relieve the case backlog.166

Of greater effect, however, is the major GOI effort throughout 2009 to provide acceptable evidence to the courts for the thousands of individuals detained during security operations. Until January 1, 2009, under authority of UN Security Council resolutions, Coalition forces detained large numbers of individuals believed to present security threats. In many cases, neither the information that served as the basis for the detention nor information obtained at the time the person was detained could be released because of security concerns. The consequent lack of a proper “evidentiary” file acceptable to an Iraqi investigative judge effectively stalled these cases.167

Throughout 2009, the U.S. military devoted substantial resources, including Judge Advocate General attorneys and specialists from other disciplines, to review the files for every Coalition-held detainee and assemble releasable information that can be provided to the Iraqi court system for consideration by judges. This effort not only allows cases to proceed on the basis of available evidence, but enhances the potential for a just determination in these cases.168

In addition, INL has been working since 2005 with the HJC to support the development of a case tracking system as part of the Iraq Justice Integration Project. This system provides the evolution of a case management system and shares a framework for data transfer with the MOJ and MOI. In 2009,
the HJC rolled out several pilot sites in Baghdad with INL support, and five additional sites are expected in early 2010. The system will mitigate the docket backlog caused by the rapid increase in detention cases by allowing for better information and resource management.¹⁶⁹

The United States has been working with the GOI to release approximately 750 detainees each month and to transfer another 250 to the GOI for processing. USF-I continues to assess detainee release lists provided by U.S. forces to the GOI Security Committee (at least 45 days before the scheduled release). In addition, USF-I continues to identify former detainees who have been re-captured after their release. The Security Committee reviews the list to identify any detainees who are also wanted by the GOI. Those facing charges by the GOI are taken off of the U.S. release list and queued for transfer to the GOI.¹⁷⁰

As of November 2009, the GOI had reviewed 11,119 detainee summary cases, providing arrest warrants for 1,545 and approving the rest for release. Since February 1, 2009, U.S. forces have released more than 4,600 detainees and transferred another 877 to the GOI pursuant to warrants. Less than 7,000 detainees remain in U.S. custody.¹⁷¹

Corrections
The U.S.-funded International Criminal Investigative Training Assistance Program (ICITAP) continues to train, advise, and mentor officials of the Iraqi Correctional Service (ICS) to develop the capacity of senior management. INL reported that ICITAP continues to assist in operations at the U.S.-funded Chamchamal Correctional Facility, which opened last quarter, and with the activation of the nearly completed prison-expansion project at Fort Suse.¹⁷²

ICITAP continues to work with USF-I to transition U.S. detention facilities to the GOI. INL reported that Camp Cropper is scheduled for transfer by September 2010, and the Taji Theatre Internment Facility Reintegration Center, for March 2010. The transition of a new DoD-funded Correctional Training Center (CTC) at Forward Operating Base Future occurred on schedule, in December 2009, and ICITAP reports that it continues to provide assistance to the ICS staff assigned there.¹⁷³

For an update on U.S. prison projects, see Table 3.3.

**Table 3.3**
Ongoing INL-administered Prison Construction, as of 12/31/2009

<table>
<thead>
<tr>
<th>Name of Project</th>
<th>Location</th>
<th>Cost ($ millions)</th>
<th>% Complete (as of 12/31/2009)</th>
<th>Est. Date of Completion</th>
<th>Est. Capacity</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basrah Central</td>
<td>Basrah</td>
<td>10.34</td>
<td>81%</td>
<td>3/2010</td>
<td>1,200</td>
<td>The contractor’s design submittal encountered delays and the MOJ requested additional work beyond the original scope.</td>
</tr>
<tr>
<td>Fort Suse: Phase I Sulaymaniyah</td>
<td>6.16</td>
<td>100%</td>
<td>12/2009</td>
<td>2,189</td>
<td>The contractor is currently working on finalizing the punch list. USACE is preparing the Letter of Acceptance for GOI’s signature.</td>
<td></td>
</tr>
<tr>
<td>Fort Suse: Phase III Sulaymaniyah</td>
<td>12.57</td>
<td>83%</td>
<td>1/2010</td>
<td>2,689</td>
<td>Contractor has encountered delays by USACE for poor design submittals.</td>
<td></td>
</tr>
<tr>
<td>Nassriya: Phase II Thi-Qar</td>
<td>8.79</td>
<td>99%</td>
<td>3/2010</td>
<td>400</td>
<td>GRC advised INL that the contractor submitted two equitable adjustments, which GRC has approved.</td>
<td></td>
</tr>
</tbody>
</table>

chief has yet to begin housing prisoners there. U.S. Embassy-Baghdad received reports of detainee abuse and at least one death of an inmate under Iraqi custody this quarter.\textsuperscript{174}

PRT Baghdad reported that the rule of law has improved slightly in the province as the Iraqi police force made progress in securing the Muhalla neighborhood. However, the PRT reported a growing concern among civilians that corruption in the police forces was on the rise, and the Iraqi media continued to question the capability of police to protect the population. The MOI moved to exercise more control over the Iraqi Police, leading to a reduction in influence by the militias.\textsuperscript{175}

In Thi-Qar province, the PRT reported increased citizen trust in the police, noting that a new initiative to remove unqualified personnel has begun. By contrast, PRT Diyala reported that “judicial and law enforcement dysfunction” continue. The PRT described the absence of judicial assassinations as encouraging, but said there had been no improvement in addressing the endemic problems of providing adequate personal security for judges. Moreover, it characterized the police as sectarian and ineffective, and the jails as severely overcrowded. Prosecutors, defense lawyers, and judges were still threatened, intimidated, and attacked.\textsuperscript{176}

PRT Wassit reported that instances of corruption among police had diminished; however, this may be due to a lack of reporting. The PRT also noted that judges appeared increasingly sensitive to basic needs of prisoners for food, medicine, and sleeping quarters.\textsuperscript{177} For the locations of U.S.-provided RoL assistance, see Figure 3.6.

**UN and Other Observations on Human Rights**

The 2008 establishment of Iraq’s Independent High Commission for Human Rights (IHCHR) was at the time considered a “milestone” that would further the GOI’s efforts to address its human rights problems.\textsuperscript{178} Notwithstanding these efforts and contrary to the United Nations Universal Declaration of Human Rights (UDHR), however, these more recent reports covering Iraq indicate that universally recognized rights are not protected:

- *Human Rights Report* issued by the UN Assistance Mission for Iraq (UNAMI) and the UN Office of the High Commissioner for Human Rights (OHCHR), December 14, 2009

Table 3.4 reviews selected rights according to the UDHR, along with the latest observations and ongoing developments.\textsuperscript{•}
<table>
<thead>
<tr>
<th>UDHR RIGHT</th>
<th>HUMAN RIGHTS OBSERVATIONS</th>
<th>ONGOING DEVELOPMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freedom from arbitrary or unlawful deprivation of life</td>
<td>UNAMI reports that security forces, high-ranking officials and civil servants, religious and political leaders, and professionals, such as journalists, educators, medical doctors, judges, and lawyers, continued to be the targets of attacks and killings.</td>
<td>UNAMI and OHCHR have urged the GOI to declare a moratorium on all executions, at least until the international standards for a fair trial are respected.</td>
</tr>
<tr>
<td>Freedom from torture and other cruel, inhuman, or degrading treatment or punishment</td>
<td>The UNAMI report notes the “use of torture or physical abuse against detainees to extract confessions” and reports of physical abuse by Iraqi security forces of persons in detention facilities.</td>
<td>DoS reports that GOI Minister of Human Rights, the Parliament’s Committee on Human Rights, and the ICHR have positive assessments of Cropper and Taji (USF-I prisons).</td>
</tr>
<tr>
<td>Freedom from arbitrary arrest or detention</td>
<td>UNAMI reports of lengthy detention without charge or trial at both GOI- and U.S.-run detention facilities.</td>
<td>DoS reports that the GOI has been working throughout 2009 to provide a proper evidentiary file to the courts so that cases will be able to move through the courts. In November, the CCC-I assigned five judges to hear Coalition cases to ease the backlog.</td>
</tr>
<tr>
<td>Fair public trial</td>
<td>UNAMI reports that the Iraqi criminal justice system does not provide sufficient fair trial guarantees. Suspects lack access to judicial review or legal counsel, convictions are based on confessions often gathered under duress or torture, and the right not to be compelled to testify against oneself or to confess guilt is often violated.</td>
<td>U.S. RoL programs have funded legal defense centers and have provided Iraqi attorneys to indigents.</td>
</tr>
<tr>
<td>Freedom of speech and press</td>
<td>UNAMI received reports of intimidation and harassment of media professionals. Journalists and media workers reported to be continuously subjected to ill-treatment and arbitrary detention by MoD personnel and officials’ body guards. UNAMI reports that journalists have received prison sentences in the KRG for criticizing state institutions.</td>
<td>UNAMI welcomed measures taken by the Minister of Interior against 20 employees who assaulted journalists and media workers.</td>
</tr>
<tr>
<td>Freedom of religion</td>
<td>According to DoS’s most recent International Religious Freedom Report 2009, the GOI has not generally persecuted any religious group, and has called for tolerance and acceptance of all religious minorities since 2003. Nevertheless, Christians and Yazidis living north of Mosul claimed that the KRG confiscated their property without compensation, and Assyrian Christians alleged that the KDP-led judiciary in Nineawa discriminated against non-Muslims. Further, the UNAMI report states that Christians continued to be targeted in Mosul, Kirkuk, and Baghdad. DoS reports that though sectarian violence decreased during the reporting period, many individuals from various groups were targeted due to religious identity or secular leanings, with the Shia constituting the majority of mass casualties.</td>
<td>DoS reports that senior U.S. administration and Embassy officials have called for unity in the face of sectarian violence and pressed for greater inclusion of minorities in the political process.</td>
</tr>
<tr>
<td>Freedom of movement and protection of internally displaced persons, refugees, and stateless persons</td>
<td>According to UNHCR, serious human rights violations and continuing security incidents throughout Iraq, predominantly in the central provinces, require international protection for Iraqis seeking asylum.</td>
<td>This quarter, the UN Security Council reports that GOI officials again called for the closure of Camp Ashraf, while also ensuring UNAMI of its commitment to treat residents in accordance with international humanitarian law and the principle of non-refoulement. On December 11, 2009, UNHCR called on states to refrain from forcibly returning asylum seekers to Baghdad, Kirkuk, and other violence-prone areas until there is a substantial improvement in the security and human rights situation. UNAMI is monitoring Camp Ashraf to prevent the GOI from forcibly returning the Camp’s Iraqi residents. Returning them could violate humanitarian law and the principle of non-refoulement.</td>
</tr>
</tbody>
</table>

**Table 3.4**

**HUMAN RIGHTS OBLIGATIONS pursuant to the UN Universal Declaration of Human Rights**

As of December 31, 2009, the United States had allocated $12.38 billion, obligated $11.90 billion, and expended $11.48 billion from the four major funds to rehabilitate Iraq’s infrastructure, including projects in the oil and gas, electricity, water and sanitation, and transportation and communications sectors.179 Obligations and expenditures for infrastructure projects have declined significantly since the beginning of FY 2007. This quarter, they accounted for just 1% of total new obligations and expenditures. As of December 31, 2009, $414 million in unexpended obligations remained.180 For the status of U.S. funding for infrastructure, see Figure 3.7 and Table 3.5.

All new reported obligations came from the ESF. Most were in the Infrastructure Security Program and focused on the oil sector.181 Expenditures were more balanced among funds. The CERP accounted for 60% of new expenditures this quarter, which were concentrated in Electricity and Water and Sanitation sectors. ESF-funded programs accounted for 26% of new expenditures, again focused in the Infrastructure Security Program for the oil sector.182

Most large-scale infrastructure projects funded by U.S. appropriations or the DFI have been managed by the U.S. Army Corps of Engineers (USACE). To date, USACE has completed 2,056 infrastructure projects; 87 projects are ongoing. USACE has no ongoing U.S.-funded construction projects in the oil and gas sector, but it is still completing large projects in the electricity, water, and transportation and communications sectors.183

Notwithstanding the progress made to increase energy supplies, improve access to potable water, and rehabilitate Iraq’s telecommunications and transportation infrastructure, the provision of essential services remains a top concern among Iraqi officials. In a meeting this quarter with SIGIR, Minister of Justice Nur al-Din stressed the importance of reliable electric power, paved roads, and clean water. Failure to provide these services, he emphasized, could lead to civil unrest.184

**Energy**

Almost 60% of U.S. expenditures for infrastructure reconstruction have been directed toward increasing the production and availability of energy supplies—both to meet domestic energy needs and to provide revenue for the GOI.185 Despite its vast reserves of crude oil and natural gas, as well as increased output from refineries and power plants over the past two years, Iraq continues to import petroleum products and electricity. In 2009, the GOI initiated ambitious plans to increase crude oil and electricity production well beyond what has already been accomplished.

Revenues were dedicated to wars and weapons in the late-regime period, but today, they will be dedicated for peace, love, and services to Iraqis who are the real owners of this fortune, which is vital to revive other sectors.186

—Prime Minister Nouri al-Maliki, at the second oil bidding round, December 2009
Table 3.5
INFRASTRUCTURE: STATUS OF FUNDS, BY SECTOR, WITH SELECTED PROGRAMS

<table>
<thead>
<tr>
<th>Infrastructure Sector</th>
<th>Status of Funds</th>
<th>Quarterly Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Obligated</td>
<td>Expended</td>
</tr>
<tr>
<td>Electricity</td>
<td>4,996.45</td>
<td>4,863.66</td>
</tr>
<tr>
<td>General Infrastructure</td>
<td>1,238.54</td>
<td>1,236.30</td>
</tr>
<tr>
<td>Oil and Gas</td>
<td>1,927.65</td>
<td>1,912.23</td>
</tr>
<tr>
<td>Transportation and Communications</td>
<td>1,098.06</td>
<td>993.52</td>
</tr>
<tr>
<td>Water and Sanitation</td>
<td>2,637.96</td>
<td>2,478.77</td>
</tr>
<tr>
<td>Total</td>
<td>11,898.66</td>
<td>11,484.49</td>
</tr>
</tbody>
</table>

Note: Data not audited. Numbers affected by rounding. The status and quarterly change for programs in the “Other” categories may be found in Appendix C. OSD does not report CERP allocation, obligation, and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP allocation, obligation, and expenditure data from the IRMS, which lags in reporting by one quarter. Therefore, totals may not match top-line values found in the Funding Sources subsection of this Report.


Figure 3.8

Million Barrels per Day

Note: Numbers affected by rounding.


Oil and Gas
As of December 31, 2009, the United States had allocated $2.06 billion, obligated $1.93 billion, and expended $1.91 billion from the four major funds to rehabilitate Iraq’s oil and gas infrastructure.187

Crude Oil Production and Exports
Iraq’s crude oil production averaged 2.42 million barrels per day (MBPD) this quarter, down almost 3% from last quarter’s 2.49 MBPD. Exports of crude oil averaged 1.91 MBPD, down 4% from 1.99 MPBD last quarter.188 After generally upward trends from the beginning of 2006 to the end of 2007, production and exports remained relatively flat over the past two years, probably reflecting the limitations of Iraq’s aging oil infrastructure. For crude oil production and export levels since 2003, see Figure 3.8.
Of the crude oil retained for domestic use, about 0.45 MBPD went to refineries for processing into petroleum products. Another 56,000 barrels per day were burned in electric power plants.

**Bidding for Service Contracts**

On December 11 and 12, 2009, the Ministry of Oil held its second petroleum licensing round, in which bids for service contracts for 10 large oil fields were solicited. The event concluded with bids for seven fields being received and tentatively accepted by the ministry.

In contrast, the first bidding round, held in June 2009, resulted in only one bid being accepted—an offer for the supergiant Rumaila oil field. Between the first and second rounds, the ministry reportedly accepted two additional bids—for the West Qurna 1 field, by ExxonMobil and Royal Dutch Shell, and for the Zubair field, by a consortium of Eni, Kogas, and Occidental Petroleum. The Rumaila deal, with a consortium of British Petroleum and China National Petroleum Company, has advanced the farthest, having been approved by the Council of Ministers in early November.

Figure 3.9 shows the fields offered at the two auctions, and Table 3.6 shows the outcome of the bid solicitation and award processes. According to the Ministry of Oil, if the plateau production targets are achieved, the latest service contracts potentially could raise daily levels of production by an additional 4.7 MBPD—on top of the 4.9 MBPD production increases that could result from the first round. With current daily crude production approaching 2.5 MBPD, such a substantial increase in capacity in the next 10 to 15 years would elevate

### Table 3.6

**Results of Oil Bidding Rounds**

<table>
<thead>
<tr>
<th>Oil Field</th>
<th>Bidding Consortium*</th>
<th>Proved Reserves (Billion Barrels)</th>
<th>Current Production (Barrels/Day)</th>
<th>Remuneration Fee ($/Barrel)</th>
<th>Plateau Production Commitment (Barrels/Day)</th>
<th>Production Plateau Period (Years)</th>
<th>Signature Bonus* ($ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project Round 1</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rumaila</td>
<td>BP (51%), CNPC (49%)</td>
<td>17.8</td>
<td>1,000,000</td>
<td>2.00</td>
<td>2,850,000</td>
<td>7</td>
<td>500</td>
</tr>
<tr>
<td>West Qurna 1</td>
<td>ExxonMobil (80%), Shell (20%)</td>
<td>8.6</td>
<td>270,000</td>
<td>1.90</td>
<td>2,325,000</td>
<td>7</td>
<td>400</td>
</tr>
<tr>
<td>Zubair</td>
<td>Eni (44%), Oxy (31%), Kogas (25%)</td>
<td>4</td>
<td>205,000</td>
<td>2.00</td>
<td>1,200,000</td>
<td>7</td>
<td>300</td>
</tr>
<tr>
<td><strong>Project Round 2</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Majnoon</td>
<td>Shell (60%), Petronas (40%)</td>
<td>12.6</td>
<td>55,000</td>
<td>1.39</td>
<td>1,800,000</td>
<td>10</td>
<td>150</td>
</tr>
<tr>
<td>Halfaya</td>
<td>CNPC (50%), Petronas (25%), Total (25%)</td>
<td>4.1</td>
<td>3,000</td>
<td>1.40</td>
<td>535,000</td>
<td>13</td>
<td>150</td>
</tr>
<tr>
<td>Qaiyarah</td>
<td>Sonangol (100%)</td>
<td>0.8</td>
<td>2,000</td>
<td>5.00</td>
<td>120,000</td>
<td>9</td>
<td>100</td>
</tr>
<tr>
<td>West Qurna 2</td>
<td>Lukoil (75%), Statoil (25%)</td>
<td>12.9</td>
<td>0</td>
<td>1.15</td>
<td>1,800,000</td>
<td>13</td>
<td>150</td>
</tr>
<tr>
<td>Badra</td>
<td>Gazprom (40%), Kogas (30%), Petronas (20%), TPAO (10%)</td>
<td>0.1</td>
<td>0</td>
<td>5.50</td>
<td>170,000</td>
<td>7</td>
<td>100</td>
</tr>
<tr>
<td>Garraf</td>
<td>Petronas (60%), Japex (40%)</td>
<td>0.9</td>
<td>0</td>
<td>1.49</td>
<td>230,000</td>
<td>13</td>
<td>100</td>
</tr>
<tr>
<td>Najma</td>
<td>Sonangol (100%)</td>
<td>0.9</td>
<td>0</td>
<td>6.00</td>
<td>110,000</td>
<td>9</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>62.7</td>
<td>1,535,000</td>
<td>11,140,000</td>
<td>2,050</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:** Numbers affected by rounding.

* Key to acronyms and national affiliation: BP = Royal British Petroleum (United Kingdom), CNPC = China National Petroleum Corporation (China), ExxonMobil (United States), Shell = Royal Dutch Shell (United Kingdom), Eni (Italy), Oxy = Occidental Petroleum (United States), Kogas = Korea Gas Corporation (Korea), Petronas (Malaysia), Total (France), Sonangol (Angola), Lukoil (Russia), Statoil (Norway), Gazprom (Russia), TPAO = Turkish Petroleum Corporation (Turkey), Japex = Japan Petroleum Exploration Company (Japan).

* Signature bonus is a non-recoverable sum of money that the winning bidder agrees to pay to the GOI upon award of the contract.

Iraq’s position as a global oil exporter and could significantly increase the GOI’s revenues. Although substantial production increases are possible, industry observers believe that the obstacles of providing adequate security, enhancing infrastructure, and navigating political uncertainty could inhibit rapid gains in output.195 Echoing these concerns, Oil Minister al-Shahristani said that “managing these new contracts, increasing production four-five times, is not a simple task.”196 Moreover, he said that increasing production would require more than field development and would include a wide range of work, such as the development of pipelines and export terminals, the building of

**Figure 3.9**

**Locations of Iraq’s Oil Fields in First and Second Bidding Rounds**

*Note:* These second-round fields or projects received no bids: East Baghdad (north and central); Middle Furat (Kifl, West Kifl, Merjan); and Eastern Fields (Gilabat, Khashem Al-Ahmar, Nau Doman, Qumar).

roads and bridges, and the training of thousands of Iraqis to operate and maintain the sector.197

**Pipeline Security**
This quarter, three breaks occurred on the pipeline that carries Iraqi crude oil to the port of Ceyhan, on Turkey’s Mediterranean coast, halting the northern flow of oil for export for a total of about 11 days. In all, at least 4.5 million barrels of oil were delayed for export shipment, and 245,000 or more barrels were lost. The cause of the first break, on October 6, is unknown. The second break apparently was caused by an IED, which disrupted the flow of oil for six days at the end of October. The last break, on November 22, may have resulted from too much pressure in the pipeline; it was repaired after four days. None of these breaks occurred in sections protected by a Pipeline Exclusion Zone.198

**Refineries and Petroleum Products**
This quarter, Iraq produced 46% of its total supply of liquefied petroleum gas (LPG), 67% of its gasoline, 95% of its diesel fuel, and 98% of its kerosene. The mix of fuels produced at refineries typically varies based on seasonal needs, but output from Iraq’s refineries during 2008 and 2009 was significantly higher than it was in the preceding two years, ranging from a 20% increase in gasoline production to a 74% increase in kerosene production. Compared with 2006–2007, average daily imports of LPG more than doubled during the past two years, while imports of diesel, kerosene, and gasoline all declined. As shown in Figure 3.10, the net effect was a slight (2.5%) decrease in the average supply of gasoline, and increased supplies of the other three fuels: diesel supply increased 32%; kerosene, 55%; and LPG, 94%.199

**Electricity**
As of December 31, 2009, the United States had allocated $5.16 billion, obligated $5.00 billion, and expended $4.86 billion to help improve Iraq’s
Generation, transmission, and distribution of electricity. Table 3.7 provides a breakdown of U.S.-funded projects by project type.

**Electricity Supply**

Electricity supply to the national grid this quarter averaged about 5,952 megawatts (MW), or 142,848 megawatt-hours (MWh) per day, a 19% increase from the same quarter in 2008. However, this was an almost 500 MW decrease from the previous quarter’s average, ending the steadily upward growth in supply that had been occurring since the beginning of 2008.

While average electricity supply decreased by 8% from the previous quarter, estimated demand dropped by more than that. Demand for electricity fluctuates with the seasons, typically peaking in the July-September period and then decreasing in the last quarter of the year. Thus, supply as a percentage of estimated demand actually increased slightly this quarter.

Reduced output from Iraq’s power plants accounted for virtually all of the decrease in supply, falling from 138,475 MWh per day in the previous quarter to 126,843 MWh per day this quarter. Planned maintenance outages at several thermal plants, the forced shutdown of a large generating unit at the Mussayib thermal plant because of severe boiler leaks, and inadequate supplies of fuel oil all contributed to this drop in production.

This quarter, Iraq’s power plants collectively operated at 34% of their nameplate capacity and 44% of their feasible capacity. As shown in Figure 3.11, combustion turbine plants were the most productive, operating with the greatest output relative to their capacity (47% of nameplate capacity and 59% of feasible capacity) and accounting for 60% of total

### Table 3.7

**Value of U.S. Electricity Projects, by Project Type**

<table>
<thead>
<tr>
<th>Project Category</th>
<th>Completed</th>
<th>Ongoing</th>
<th>Not Started</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generation</td>
<td>1,975.78</td>
<td>22.01</td>
<td>9.51</td>
<td>2,007.29</td>
</tr>
<tr>
<td>Distribution</td>
<td>1,235.64</td>
<td>5.99</td>
<td>25.41</td>
<td>1,267.04</td>
</tr>
<tr>
<td>Transmission</td>
<td>920.97</td>
<td>105.93</td>
<td>69.82</td>
<td>1,096.71</td>
</tr>
<tr>
<td>Sustainment and Spare Parts</td>
<td>300.87</td>
<td>2.84</td>
<td>0.70</td>
<td>304.41</td>
</tr>
<tr>
<td>General Infrastructure</td>
<td>278.59</td>
<td>11.37</td>
<td>11.34</td>
<td>301.30</td>
</tr>
<tr>
<td>Monitoring and Control</td>
<td>131.13</td>
<td>0.31</td>
<td>11.59</td>
<td>143.02</td>
</tr>
<tr>
<td>Other</td>
<td>26.31</td>
<td>4.51</td>
<td>3.68</td>
<td>34.50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,869.28</strong></td>
<td><strong>152.96</strong></td>
<td><strong>132.05</strong></td>
<td><strong>5,154.28</strong></td>
</tr>
</tbody>
</table>

**Note:** Numbers affected by rounding. This list of reconstruction projects is based on IRMS data, which is not fully accurate or complete. Project totals therefore do not reconcile with top-line obligations and expenditures provided by the agencies.

**Source:** IRMS, Global Benchmark, 1/4/2010.

### Figure 3.11

**Power Plant Capacity and Production, by Plant Type**

10/1/2009–12/31/2009 Averages

**Nameplate Capacity**

- Thermal: 5,404 MW (35%)
- Combustion Turbine: 3,691 MW (44%)
- Diesel: 6,759 MW (16%)
- Hydro: 2,513 MW (5%)

**Feasible Capacity**

- Thermal: 3,635 MW (31%)
- Combustion Turbine: 5,340 MW (45%)
- Diesel: 702 MW (6%)
- Hydro: 2,233 MW (19%)

**Actual Production**

- Thermal: 1,635 MW (31%)
- Combustion Turbine: 3,165 MW (60%)
- Diesel: 172 MW (3%)
- Hydro: 312 MW (6%)

**Note:** Numbers affected by rounding.

electricity supply with that of other countries, see Table 3.8.

### Reassessing the Supply-Demand Gap

Like some of its neighboring countries, Iraq heavily subsidizes the electricity supplied from the national grid, a practice that can encourage consumption. Unlike most of its neighbors, however, Iraq has insufficient supplies on the grid to satisfy demand.\(^{204}\) Although Iraq’s supply-demand gap appears to have narrowed over the past two years, the Ministry of Electricity (MOE) still must allocate—in effect, ration—the limited supplies; and Iraqis who can afford to do so purchase supplemental electricity from distributed, privately run neighborhood generators. In Central Baghdad, for example, residential customers pay 10 to 15 times more for electricity on the open market than for subsidized electricity from the MOE.\(^{209}\)

According to a recent survey, just 18% of Iraqis are somewhat or very satisfied with the amount of electricity they receive.\(^{210}\) Such surveys, as well as the observations made to SIGIR at various times by Iraqi officials and ITAO staff, suggest that the supply-demand gap may be wider than previously reported (and wider than shown in Figure 3.12).
To improve the precision of the demand estimates, including the contribution from “suppressed demand,” ITAO in 2009 commissioned Parsons Brinckerhoff to undertake a load-forecasting study. The statistical analysis resulted in estimates of demand that were higher than what was previously reported by MOE to ITAO. For example, estimates of average daily peak demand nationwide throughout 2009, as presented in the ITAO/ESD Electric Daily Performance Reports, averaged about 10,000 MW. In comparison, the Parsons Brinckerhoff study estimated demand during the same period to have been roughly 13,100 MW—about 30% higher.

**Plans To Expand Generating Capacity**

In an effort to close the supply-demand gap, and with substantial assistance from the United States and other countries, Iraq has increased its feasible generating capacity by 40% over the past three years—from about 8,500 MW at the end of 2006 to about 12,000 MW at the end of 2009. The MOE’s plans to expand capacity, primarily through the installation of new combustion turbines purchased from GE and Siemens, could more than double current feasible capacity in the next five years.

Based on power-plant performance over the past few years, however, it seems unlikely that actual production will reach feasible capacity levels. Furthermore, even if the planned generating units are constructed and become operational on schedule, it is unclear if the resulting production increases would be sufficient to close the supply-demand gap.

**Ongoing U.S. Projects**

As of December 31, 2009, there were 137 ongoing U.S.-funded electricity projects in Iraq, with a total value of $192 million. USACE is managing 14 of those projects, which are funded by the IRRF and ESF and collectively valued at more than $140 million. The largest USACE project, construction of the Farabi and Jamila 132-kV substations in Sadr City, has fallen behind schedule; this $50 million project is now expected to be completed by the end of January 2010. USACE expects to complete the next two largest projects, construction of the $30 million substation in Ramadi and the $16 million rehabilitation of the substation in Falluja, in February 2010.

Almost 90% of the ongoing electricity projects reported in IRMS are funded through the CERP and have an average value of about $420,000. This quarter, USF-I approved six new CERP electricity projects costing between $500,000 and $1 million. Four of these projects, with values ranging from $535,000 to $745,000, are for the installation of power distribution lines in Qadissiya.

**Water and Sanitation**

As of December 31, 2009, the United States had allocated $2.75 billion, obligated $2.64 billion, and expended $2.48 billion to rehabilitate Iraq’s water and sanitation infrastructure and improve the delivery of services. In addition to the large construction projects managed by USACE, numerous CERP-funded projects have provided water purification kits for potable water, drip irrigation systems, sanitation cleanup, water trucks, canal cleanup, repair of generators, water supply pipelines, and removal of illegal water taps. For an overview of ongoing and completed water projects in Iraq since 2003, see Figure 3.13.

By mid-2009, according to a DoS estimate cited by USACE, more than 21.2 million Iraqis had access to potable water, up from 5.5 million in 2003. As of September 2009, the Baghdad Water Authority was providing 2.5 million cubic meters of water per day, satisfying 89% of demand. According to an August 2009 survey, about 70% of Iraqis reported being able to get safe and clean drinking water at least some of the time, and 28% were satisfied with the availability of drinking water.
**Figure 3.13**

**U.S.-funded Water Projects**

Value of Completed Projects and Location of Large Ongoing Projects

<table>
<thead>
<tr>
<th>U.S.-funded Water Projects, by Type</th>
<th>Completed</th>
<th>Ongoing</th>
<th>Not Started</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Treatment</td>
<td>1,246.05</td>
<td>75.63</td>
<td>14.05</td>
<td>1,335.73</td>
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<tr>
<td>Water Distribution</td>
<td>369.69</td>
<td>33.39</td>
<td>8.57</td>
<td>411.65</td>
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<tr>
<td>Sustainment (O&amp;M)</td>
<td>352.50</td>
<td>8.09</td>
<td>3.70</td>
<td>364.28</td>
</tr>
<tr>
<td>Misc. Facilities</td>
<td>248.30</td>
<td>11.40</td>
<td>9.89</td>
<td>269.59</td>
</tr>
<tr>
<td>Sewage Collection</td>
<td>165.66</td>
<td>47.60</td>
<td>22.21</td>
<td>235.47</td>
</tr>
<tr>
<td>Water Resource</td>
<td>211.52</td>
<td>3.92</td>
<td>0.79</td>
<td>216.23</td>
</tr>
<tr>
<td>Misc. Procurement</td>
<td>166.69</td>
<td>0.57</td>
<td>0.80</td>
<td>168.06</td>
</tr>
<tr>
<td>Sewage Treatment</td>
<td>88.29</td>
<td>32.24</td>
<td>0.27</td>
<td>120.80</td>
</tr>
<tr>
<td>Irrigation</td>
<td>44.06</td>
<td>39.18</td>
<td>0.18</td>
<td>83.42</td>
</tr>
<tr>
<td>Capacity Building</td>
<td>29.62</td>
<td>9.37</td>
<td>3.82</td>
<td>42.81</td>
</tr>
<tr>
<td>Spare-part Replenishment</td>
<td>6.17</td>
<td>0.07</td>
<td>0.00</td>
<td>6.24</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,928.54</strong></td>
<td><strong>261.46</strong></td>
<td><strong>64.27</strong></td>
<td><strong>3,254.28</strong></td>
</tr>
</tbody>
</table>

**Value of Completed Projects ($ Millions):**

- < $100
- $100–$200
- $200–$500
- > $500

**U.S.-funded Water Projects, by Fund**

<table>
<thead>
<tr>
<th>Fund</th>
<th>Total Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>CERP</td>
<td>$852.12</td>
</tr>
<tr>
<td>ESF</td>
<td>$222.43</td>
</tr>
<tr>
<td>ISFF</td>
<td>$0.5% $16.07</td>
</tr>
</tbody>
</table>

**Note:**

- Data not audited. Numbers affected by rounding. This list of reconstruction projects is based on IRMS data, which is not fully accurate or complete. Project totals therefore do not reconcile with top-line obligations and expenditures provided by the agencies.

**Source:** IRMS, Global Benchmark, 1/4/2010.
USACE expects to complete construction of the $70 million Meshkab Water Treatment Plant in Najaf by the end of March 2010. The United States funded one-third of this project ($23.1 million) through the IRRF, and the GOI funded the remainder. According to USACE, work on the $10.1 million, ESF-funded Garma Water Reverse Feeding facility was scheduled for completion by the end of January 2010. Work to repair generators at the Kharkh Water Treatment Plant in Baghdad, previously scheduled for completion in April 2008, is behind schedule. USACE expects this $8.3 million project to be completed by February, 2010.

According to USACE, a $4.7 million operations and management project at the Dokan Water Network was 36% complete as of December 31, 2009. This project to provide safe drinking water to the city of Sulaymaniya was originally scheduled for completion in April 2010; it is now slated to be complete in September 2010.

This quarter, USACE completed nine water and sanitation projects, at a collective cost of $11.3 million, including two $4.2 million projects funded by the IRRF: construction of a sludge lagoon system associated with the Sadr City R3 Water Treatment Plant and electrical upgrades for the Sweet Water Canal Pump Station No. 2, which supplies potable water in Basrah.

This quarter, USACE was continuing work on 44 water projects, valued at $170 million. Additionally, there were about 300 CERP-funded water projects ongoing this quarter, totaling almost $73 million.

Water Treatment

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This quarter, USF-I approved two new CERP water-treatment projects valued at slightly less than $1 million each—one to complete construction of the Az Zubayar Water Treatment Plant at a cost of $995,000, and the other to renovate the Diwaniyah Water Treatment Facility Pump Station at a cost of $988,000. According to USF-I, the Az Zubayar project will provide 30 million liters of potable drinking water to about 150,000 residents in Basrah province, while the Diwaniyah project will provide potable water to more than 500,000 residents.
Completion of the project, however, will require the GOI to accomplish the following:

- Complete the collection network in the remaining areas of the city.
- Operate the two remaining pump stations that will be idle at the completion of the USACE project.
- Connect the roughly 20,300 remaining Falluja households to the collection system and the collection system to the trunk lines.
- Provide enough fuel to run power generators until the electrical grid, to which the system is also connected, becomes more dependable.

As of January 2010, local contractors had either been paid or were pursuing claims, an issue of concern in SIGIR’s 2008 inspection report. The contractor hired to build the trunk lines was terminated for substandard work. USACE reported that the activated sludge system can be operated in a manner that minimizes the odor caused by overloading, another concern mentioned in SIGIR’s report.

Elsewhere in Iraq, installation of Sanitation Network Alabbas, a 26-km sewage network collection system in Basrah, remains ongoing. USACE expects this $11.2 million project to be completed in July 2010. A $1.8 million sewer project in Baghdad’s Adhamiya neighborhood, scheduled for completion this quarter, aims to reconstruct the existing sewer system, replacing sewer lines,
manholes, and manhole covers to provide a sewer network to more than 600 homes.\textsuperscript{241} In Wasit province, the Numaniyah Water Treatment Plant will provide support to a pump station, water compact unit, water network, wastewater pump stations, and a sewer line.\textsuperscript{244}

**Irrigation**

The Eastern Euphrates Drain project in Muthanna province, funded by $38.5 million of the IRRF, was scheduled for completion by the end of this quarter. According to USACE, the project aimed to reclaim more than 58,000 hectares of agricultural land and remove excess saline water from more than 400,000 hectares of irrigated land.\textsuperscript{245}

**Transportation and Communications**

As of December 31, 2009, the United States had allocated $1.16 billion, obligated $1.10 billion, and expended $0.99 billion to improve Iraq’s transportation and communications systems.\textsuperscript{246}

**Transportation**

**Ports**

USACE reported that as of December 31, 2009, it had completed eight port projects in Iraq and had no ongoing U.S.-funded port projects.\textsuperscript{247} USACE continued to build its first foreign military sales project with Iraq, the GOI-funded $53 million Umm Qasr Pier and Seawall in Basrah. The project, begun in October 2008, is designed to provide a berthing facility for the Iraqi Navy.\textsuperscript{248}

**Roads and Bridges**

USACE reported this quarter that as of December 31, 2009, it had completed 278 village road projects and expressways; 31 projects remain ongoing, including a $130 million highway extension to connect the Sulaymaniyah road interchange to the Taza road interchange in the Kurdistan Region. The three-phase project is funded by oil revenues from the provincial government in Sulaymaniyah. USACE provided $4.3 million of the ESF for the engineering design, which includes five highway interchanges and four bridges on a six-lane road.\textsuperscript{249}

Construction also continued this quarter to resurface more than 81 kilometers of roads in 17 different locations in northeastern Iraq, including Tameem province. The $2.76 million project, funded by the CERP, aims to provide a network of rural roadways to give local residents access to local and regional markets in an effort to stimulate agricultural and economic growth.\textsuperscript{250}

**Railroads**

As of December 31, 2009, USACE had completed all 112 railroad renovation projects that it had undertaken.\textsuperscript{251} The Iraqi Ministry of Transportation signed a memorandum of understanding with Turkey this quarter to open a direct railroad line between Turkey and Iraq.\textsuperscript{252} The ministry also reported that the State Company for Iraqi Railways had started to renovate passenger platforms at train stations, and that a Turkish delegation visited Baghdad to discuss plans to rehabilitate railway cars.\textsuperscript{253}
Rehabilitation and expansion of Iraqi railroad track and station infrastructure continued this quarter. The U.S. government continued to build a $40.3 million digital microwave radio communication network to enhance the Iraqi railway communications system. Total expenditures for 2009 reached $7.2 million. The 33 microwave radio construction sites have been completed, and the U.S. government expects next quarter to begin operation and maintenance training programs. The project is managed by the Transportation Attaché.254

Aviation
This quarter, two international airports in the Kurdistan Region—Erbil International Airport and Sulaymaniyah International Airport—grew in size and capacity, paving the way for increased air travel options and linkages from the Kurdistan Region to the rest of the world. A new terminal at the Erbil airport with 16 gates is scheduled to open in March 2010. The terminal is expected to process about a million passengers annually, while the runways, one of which is among the longest in the world, are projected to handle up to 10 million passengers annually.255

The KRG envisions building the Erbil airport into a regional hub and has hired a Korean management consulting team to oversee operations and management as flights from the new terminal begin service. The number of flights has expanded to 80 weekly to accommodate the Kurdish diaspora and is a reflection of the growth in trade between the Kurdistan Region and surrounding countries. The smaller international airport in Sulaymaniyah now supports almost 60 passenger flights per week, but its management envisions expanding routes to China and other East Asian nations.256 For an overview of international and national flights from the Kurdistan Region, see Figure 3.14.

Elsewhere in Iraq, a French firm, Aeroports de Paris, won a contract for approximately $42.5 million from the GOI in November 2009 to build a new airport between the cities of Kerbala, Najaf, and Hilla in southern Iraq.257 Iraqi
Telecommunications
Following the issuance of three telecommunications licenses in 2007, the Ministry of Communications again proposed this quarter a fourth mobile license that would be controlled by a new state-owned company in partnership with an international telecommunications provider. The first three licenses went to private companies using 2G Global System for Mobile (GSM) technology. The proposed state-owned license would use higher frequency bandwidth, commonly known as 3G.261

The United States is continuing to construct the $23.8 million al-Mamoon Exchange and Telecommunications Center in Baghdad. In July, the project was awarded to a new contractor and is currently 7% complete. The contractor is experiencing delays with submittals and the delivery of materials. Two training programs—an $800,000 project on e-governance and a $600,000 project on regulatory training with the U.S. Federal Communications Commission—have yet to be executed.262

Phone and Internet Service
Iraqis continued to use mobile phones more than any other form of telecommunication, with the total number of mobile phone subscribers at nearly 19.5 million, or 68% of the population. Zain, Asia Cell, and Korek remain the three main cell phone providers. There were 1.25 million landline subscriptions, accounting for 4.3% of the population, and 1.6 million Internet subscribers, accounting for 5.1% of the population.263

Airways announced this quarter that it planned to resume direct flights between Baghdad and Paris following an expected agreement between Iraq and France.258

As part of the Security Agreement between the United States and GOI, Iraq has assumed control of all its sovereign airspace, but has requested assistance from the United States to monitor and control airspace below 24,000 feet until the GOI has the infrastructure and capability to assume control of all of its airspace. The U.S. military provides air traffic services to flights, including approach, at airports in Baghdad, Mosul, Erbil, Najaf, Sulaymaniya, and Basrah. The Iraq Civil Aviation Authority (ICAA) is developing a plan with help from the U.S. government to incrementally transition air traffic control to the Iraqis, but the ICAA is behind in its preparation to take over air traffic control primarily due to a lack of licensed air traffic controllers and an absence of infrastructure. The Baghdad Area Control Center (BACC), for instance, needs 200 to 250 licensed air traffic controllers to continue to provide current services and assume services currently provided by the U.S. military, but currently has none.259

Based on current training, the BACC is expected to have 10 to 20 licensed controllers by 2011. The Washington Consulting Group currently provides controller training to the ICAA and provides an expatriate controller workforce for day-to-day air traffic operations. No additional transfer of airspace control is expected until the fall of 2010.260
As of December 31, 2009, the United States had allocated $7.64 billion, obligated $7.40 billion, and expended $6.36 billion from the four major funds to help Iraq strengthen its government institutions and political processes for long-term sustainability and provide health care, education, and other public services. For the status of U.S. funding for governance programs, see Figure 3.15 and Table 3.9.

This quarter, governance programs accounted for 78% of all new obligations of Iraq reconstruction funds and 35% of new expenditures. There were $312.5 million in new obligations for governance programs this quarter, 25% more than last quarter. Slightly more than half of new obligations were made for Democracy and Civil Society programs, including the Civil Society Development Program (associated with the ESF-funded Community Action Program). Other major obligations were made for Iraqi Refugees in Jordan, the GRD-administered PRT/PRDC Projects, and the USAID-administered PRT Quick Response Fund. The ESF accounted for all new obligations reported for governance programs.

This quarter, total expenditures rose by $318.3 million, 61% more than last quarter. The majority (44%) were made for Democracy and Civil Society programs. Major expenditures were also made for Iraqi Refugees in Jordan and PRT/PRDC Projects. The ESF accounted for 79% of all new expenditures, and IRRF 2 accounted for 18%.

Overview of U.S. Governance Programs

The Provincial Reconstruction Teams (PRTs) and USAID continue to develop Iraq’s provincial governments through capacity development, democracy and civil society, humanitarian relief, and other programs. This quarter, USAID’s National Capacity Development program (“Tatweer,” Arabic for “Development”) expended $20.2 million to strengthen Iraq’s provincial governments, including training more than 8,000 local government workers. USAID’s Community Action Program expended $32.1 million this quarter on programs to foster citizen participation in local governments. Meanwhile, USAID’s Office of U.S. Foreign Disaster Assistance (OFDA) continues to implement humanitarian assistance programs through partner organizations.

A SIGIR audit issued this quarter determined that DoS had only limited oversight over the costs and impact of grants that DRL awarded to the National Democratic Institute and International Republican Institute between August 2004 and June 2009. Of the $114 million in democracy-building programs, DoS had only limited oversight over the costs and impact of grants that DRL awarded to the National Democratic Institute and International Republican Institute between August 2004 and June 2009.

The endemic corruption within the Iraqi system—not only the security forces, but the system—is still probably the biggest problem facing Iraq.

—General Raymond Odierno, Commander, USF-I
September 15, 2009

**Figure 3.15**

**Governance: Status of Funds**

<table>
<thead>
<tr>
<th>Category</th>
<th>Obligor</th>
<th>Allocation</th>
<th>Obligation</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Democracy and Civil Society</td>
<td>ESF</td>
<td>$0.36</td>
<td>$0.40</td>
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</tr>
<tr>
<td>Humanitarian Relief</td>
<td>ESF</td>
<td>$0.10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Services</td>
<td>ESF</td>
<td>$0.18</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity Development</td>
<td>ESF</td>
<td>$0.36</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Data not audited. Numbers affected by rounding. OSD does not report CERP allocation, obligation, and expenditure data for project categories on a quarterly basis for all fiscal year appropriations; SIGIR pulls CERP allocation, obligation, and expenditure data from the IRMS, which lags in reporting by one quarter. Therefore, totals may not match top-line values found in the Funding Sources subsection of this Report.

November 18 by Vice President al-Hashimi on the grounds that Iraqis living abroad would not be sufficiently represented. The new law increases the number of seats in the CoR from 275 to 325, including 8 seats for minorities (5 for Christians and 1 each for Mandaeans, Shabak, and Yazidis). As in the 2005 election, seats are allocated by province, with additional seats allocated to parties that won a high percentage of the national vote, but did not win a similarly large number of provincial votes. See Section 1 for more detailed analysis.

This quarter, the United States continued to support the Independent High Electoral Commission (IHEC) in the areas of database management, out-of-country voting, public outreach, information

Table 3.9

<table>
<thead>
<tr>
<th>Sector</th>
<th>Program</th>
<th>Status of Funds</th>
<th>Quarterly Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Obligated</td>
<td>Expended</td>
</tr>
<tr>
<td>Capacity Development</td>
<td>PRT/PRDC Projects - (ESF)</td>
<td>498.6</td>
<td>405.0</td>
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<tr>
<td></td>
<td>PRT Quick Response Fund - (ESF)</td>
<td>220.1</td>
<td>146.2</td>
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<tr>
<td></td>
<td>National Capacity Development - (ESF)</td>
<td>309.4</td>
<td>244.5</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>1,315.9</td>
<td>1,192.7</td>
</tr>
<tr>
<td></td>
<td><strong>Subtotal</strong></td>
<td><strong>2,344.0</strong></td>
<td><strong>1,988.4</strong></td>
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<tr>
<td>Democracy and Civil Society</td>
<td>Civil Society Development - (ESF)</td>
<td>71.1</td>
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<td>259.4</td>
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</tr>
<tr>
<td></td>
<td>Education, Refugees, Human Rights, Democracy, &amp; Governance - (IRRF 2)</td>
<td>89.3</td>
<td>68.7</td>
</tr>
<tr>
<td></td>
<td>Elections (IFES) - (ESF)</td>
<td>12.6</td>
<td>12.1</td>
</tr>
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<td></td>
<td>Local Governance Program - (ESF)</td>
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<td></td>
<td>Other</td>
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<td>1,236.6</td>
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<tr>
<td></td>
<td><strong>Subtotal</strong></td>
<td><strong>2,199.2</strong></td>
<td><strong>1,800.0</strong></td>
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<td>Humanitarian Relief</td>
<td>Iraqi Refugees (Jordan) - (ESF)</td>
<td>165.3</td>
<td>111.2</td>
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<td></td>
<td>Other</td>
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<td>711.7</td>
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<td></td>
<td><strong>Subtotal</strong></td>
<td><strong>927.3</strong></td>
<td><strong>822.9</strong></td>
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<tr>
<td>Public Services</td>
<td>Subtotal</td>
<td><strong>1,924.9</strong></td>
<td><strong>1,746.1</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>7,395.3</strong></td>
<td><strong>6,357.3</strong></td>
</tr>
</tbody>
</table>

Note: Data not audited. Numbers affected by rounding. The status and quarterly change for programs in the “Other” categories may be found in Appendix C. OSD does not report CERP allocation, obligation, and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP allocation, obligation, and expenditure data from the IRMS, which lags in reporting by one quarter. Therefore, totals may not match top-line values found in the Funding Sources subsection of this Report.


Elections

On December 6, 2009, after months of negotiations, Iraq’s Council of Representatives (CoR) approved the Elections Law that authorizes the national parliamentary elections scheduled for March 7, 2010. The law had originally passed the CoR on November 8, 2009, but was vetoed on

grant expenditures reviewed, only 41% was spent on direct program activities. Moreover, DoS cannot document whether the grants are meeting their intended goals. For a summary of the audit’s findings and recommendations, see Section 4.
technology, and the provincial electoral offices. For the 2010 elections, approximately $6 million has been allocated through cooperative agreements with the International Foundation for Electoral Systems (IFES) and the Iraq Rapid Assistance Program (IRAP) contract with a U.S.-based company.275 In cooperation with USAID, IHEC, and DoS, the PRTs provided election support in the provinces, including public-service announcements and other voter-education programs. The DoS Bureau of Democracy, Human Rights, and Labor (DRL) reported $71 million in ongoing programs to support NGO partners in assisting political party leaders and various other organizations to conduct campaign activities and prepare election facilities in the provinces.276 DRL considered input from the PRTs and other U.S. Embassy offices when deciding which election programs to fund.277

**Legislation**

U.S. Embassy-Baghdad reports that several important laws remain on the agenda, but action on all but the most time-sensitive are likely to be deferred until after the March 7 elections.278 Iraq’s Minister of Finance believes that the long-awaited hydrocarbons legislation package will pass sometime after the new parliament is installed.279 This legislation would address revenue distribution between the GOI and the provinces, and is considered a key element to reconciliation and realization of benefits from oil exports.280 For a historical perspective and more information on ongoing political and legislative issues affecting both the GOI and the KRG, see Figure 3.16.

On November 16, 2009, Iraq’s Council of Ministers approved a draft law to create a monetary and banking training center to prepare personnel for working at the Central Bank of Iraq. The law was subsequently referred to the CoR for approval.281 The CoR also passed an amendment to the National Investment Law on November 23, 2009.282 For more information on this law, see the Economy subsection.

**Anticorruption**

In meetings with SIGIR this quarter, two Iraqi ministers and the Iraqi Chief Justice expressed frustration with the ubiquitous presence of corruption at all levels of society and addressed the need for more high-level accountability. According to the Minister of Finance, corruption has never been worse, and the solution must begin with the highest ranks of government.283 The Minister of Justice similarly expressed the need for fairness and accountability at all levels.284 Further, Chief Justice Medhat al-Mahmoud, of the Higher Judicial Council (HJC), said that strong leadership within the ranks of government is needed to combat corruption.285 In January 2010, the Chief Justice issued an anticorruption judicial order establishing within the HJC a three-judge prosecution committee that the Chief Justice will head with the Public Prosecutor.286 For more information on Iraqi efforts to combat corruption, see Section 1.

This quarter, the Organisation for Economic Co-operation and Development (OECD) summarized a benchmark report (not yet released to the public) on improving integrity and transparency in Iraq’s public procurement system.287 OECD found that, despite Iraq’s comprehensive procurement law and regulations, several challenges remain:288

- The process of awarding public contracts in Iraq is still not transparent.
- Open competitive tender is not required.
- Accountability chains are “fuzzy.”
- There is, at best, limited coordination of procurement practices across government.
- Control institutions, including the IGs, BSA, and COI, do not coordinate.

**Iraq Conducts First Democratic Elections**

On December 15, 2005, Iraq conducted its first-ever democratic parliamentary elections. Largely incident free, these elections resulted in the United Iraqi Alliance (a coalition of Shia parties) winning control of the GOI.
Five Issues Outstanding between the GOI and KRG:

- **Disputed Territories**: Both the GOI and KRG claim territory in several of Iraq’s northern provinces, including Ninevah, Salah Al-Din, Diyala, and Tameem.
- **Federal Hydrocarbons Law**: The KRG and GOI have not reached an agreement on a package of federal hydrocarbons laws, and fundamental differences remain over contracting and management of the oil and gas sector.
- **Power-Sharing and Constitutional Reform**: At the heart of the constitutional reform debate is the GOI’s desire to reinforce a strong central government and the KRG’s push for decentralization. In 2008, a constitutional review committee recommended 50 changes to the Constitution, but efforts to implement the recommendations remain stalled.
- **Security**: In August 2009, GOI and KRG leadership laid preliminary groundwork for an interim security agreement, and joint patrols of Iraqi and Kurdish forces were established in Diyala. Efforts were underway to establish patrols in Salah Al-Din and Tameem. Attempts to establish similar joint patrols in Ninevah initially stalled, but went into effect in January 2010.
- **Foreign Policy**: The Iraqi Constitution gives the GOI power to formulate foreign, economic, and trade policies. However, the KRG has been developing independent economic and political ties with foreign countries, signing separate oil deals, and meeting separately with foreign heads of state.

Legislative Issues: Iraq’s Constitution, ratified in 2005, governs the relationship between the GOI and the KRG, but disputes continue over legislative initiatives that affect both entities, including:

- Article 23, which governs property rights and prohibits the “ownership of property for the purposes of demographic change,” a clause that is particularly relevant in provinces where boundaries are in dispute.
- Article 140, which requires the GOI to implement Article 58 of the Interim Transitional Administrative Law, passed in 2003. The law contained a formula for solving territorial disputes, including conducting a national census and holding a referendum on Tameem province. As of this quarter, no census or referendum had taken place.
- Article 141, which recognizes legislation enacted by the Iraqi Kurdistan Parliament (IKP), provided it does not contradict the Iraqi Constitution. On June 24, 2009, the IKP passed a draft constitution for the Kurdistan Region that claimed territory in Tameem. The recommendations remain stalled.

Efforts To Resolve Issues Outstanding between the GOI and KRG:

- In September 2008, a 7-member committee was set up to recommend solutions for power sharing, voter rolls, and property violations that would pave the way for Tameem province to participate in provincial elections. The committee missed three self-imposed deadlines and handed the matter to the CoR on May 31, 2009.
- In November 2008, the CoR created five “leadership committees” to resolve the five outstanding issues between the KRG and GOI. The committee on disputed territories recommended dividing senior government posts in Tameem province, but negotiations broke down over power sharing at lower levels of government. All committees have since suspended their work.
- Since June 2009, GOI and KRG officials have participated in a high-level task force led by the United Nations Assistance Mission for Iraq (UNAMI) to negotiate a solution to disputed territories and other outstanding issues.

Sources:
The organization noted that public procurement was the government activity most likely to attract waste, fraud, and corruption.289

On International Anti-Corruption Day (December 9), U.S. Embassy-Baghdad assessed what it termed the GOI’s “measured progress,” citing COI, BSA, and IG accomplishments.290 For example, the COI increased to almost 1,000 the number of cases it processed and sent to investigative judges in 2009, triple the number processed in 2008.291 The COI also has been forwarding increasing numbers of cases to the judiciary. The COI announced in November that it was investigating 10,000 cases involving falsified educational certificates and was creating a blacklist for those found to have used false credentials to get their jobs.292 In addition to COI efforts, the IGs are expanding their workload of investigations.293 And in 2009, the BSA conducted approximately 3,300 external audits and consultations.294

**Corruption Prosecutions**

In December 2009, the COI announced convictions for corruption of four standing senior officials.295 Of the three former senior Ministry of Trade officials convicted of corruption charges, one defendant received a two-year prison term, and the other two received one-year terms.296 The lead figure in the case, former Minister Abdel Falah al-Sudani, resigned amid corruption allegations and currently awaits trial.297 The Central Criminal Court of Iraq also convicted the former Deputy Minister of Transportation on bribery charges and sentenced him to eight years in prison.298

In November, various employees in Baghdad’s municipal government were arrested for embezzling $20 million.299 And in October, some members of the CoR alleged corruption against the head of the IHEC and the Minister of Electricity.300 To date, there has been no follow-up investigation or sanctioning of either official by the COI or judiciary.301

A comparison of 2008 and 2009 corruption prosecution data indicates that while convictions for corruption are increasing in number, a very small percentage of cases involve high-level officials. The latest COI annual report, released in December 2009 with 2008 data, shows that in 2008 Iraq issued 630 arrest warrants for officials suspected of corruption—206 for Ministry of the Interior officials and 52 for Ministry of Oil officials.302 Only two of those cases were initiated against senior government officials.303 Six of 630 were employees at the “General Director” level or above, which is equivalent to U.S. “senior management” level.304 A total of 97 officials were convicted, and 2,772 cases were abandoned because the suspects were covered under the amnesty law.305

In 2009, there were 3,272 open cases, four of which were initiated against high-level officials and resulted in convictions. A total of 285 officials were convicted in 2009.306 Table 3.10 provides more detailed analysis of corruption prosecutions.

**Table 3.10**

**Corruption Prosecutions, 2008 vs. 2009**

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Open Corruption Cases</td>
<td>3,402</td>
<td>3,272</td>
</tr>
<tr>
<td>Number of Convictions</td>
<td>97 (15%)</td>
<td>285 (29%)</td>
</tr>
<tr>
<td>Number of Standing Senior Officials Prosecuted</td>
<td>2 (&lt;0%)</td>
<td>4 (&lt;0%)</td>
</tr>
<tr>
<td>Number of Standing Senior Officials Convicted</td>
<td>2 (&lt;0%)</td>
<td>4 (&lt;0%)</td>
</tr>
</tbody>
</table>


**Other Iraqi Anticorruption Efforts**

On November 9–13, 2009, Iraq participated in the Third Conference of State Parties to the United Nations Convention against Corruption (UNCAC) in Doha, Qatar.307 The parties adopted a mechanism to allow UN monitoring of Iraq’s UNCAC implementation once every five years.308

Also in November, the Iraqi Kurdistan Parliament (IKP) established an Anti-Corruption Committee, following the KRG’s release of its _Good Governance and Transparency Strategy_ in July.309 Data on its progress is not available. The IKP also attended the Sixth Global Forum on Fighting
On January 10–11, 2010, Iraq held an Extrac- tive Industries Transparency Initiative (EITI) conference to launch measures aimed at fulfilling EITI candidature requirements. Created to promote greater transparency in countries rich in natural resources, EITI requires its permanent members to regularly publish all material revenues received in oil, gas, and mining; and companies must report on all payments to governments in those industries.

Notwithstanding these high-level efforts, Transparency International’s Global Corruption Barometer reports that Iraq is still one of the top 8 countries (of 69) most affected by petty bribery, with public officials and civil servants the most likely recipients of bribes. Employment middlemen are also likely to receive bribes. Though DoS reports that Iraqis remain hopeful about finding employment, Iraq’s unemployed are concerned about the need to pay bribes to get a job through a dealer.

**U.S. Anticorruption Programs**

The U.S. Embassy-Baghdad’s Anti-Corruption Coordination Office (ACCO) is among a number of U.S. government civilian and military offices that work with Iraqis to strengthen anti-corruption efforts. Besides currently coordinating the various U.S. government programs, ACCO uses its own resources to fund and oversee specific initiatives. As of December 31, 2009, ACCO had obligated approximately $16.6 million and disbursed approximately $6.21 million to anticorruption initiatives. Though ACCO issues a listing of U.S. government-sponsored anticorruption programs, DoS does not have exact figures for all programs conducted by ACCO or for all overall U.S. government allocations, obligations, and disbursements to anticorruption initiatives.

One of ACCO’s main initiatives involves alliances with various implementing partners, such as the UN Development Programme (UNDP) and the University of Utah. As part of an $8 million ACCO-funded project, UNDP, ACCO, and senior Iraqi officials moved forward on a new five-year national anticorruption strategy in January 2010.

ACCO also contributed $2 million to an existing UNDP anticorruption project in the Kurdistan Region, while at the same time adding $5 million in support for provincial-level anticorruption efforts. ACCO is drawing from an additional $4 million to provide legal training for the COI legal affairs office and forensic accounting training for COI investigators.

**Humanitarian Relief**

As of December 31, 2009, the United States had allocated $927 million, obligated $927 million, and expended $823 million to support humanitarian relief programs in Iraq. Most humanitarian programs are implemented multilaterally by partner organizations. See Appendix D for more information on international funding involved.

**UN Humanitarian Relief**

Pursuant to UN Security Council Resolution 1883, which broadened the responsibilities of the UN Assistance Mission for Iraq (UNAMI), the Consolidated Appeals (CAP) action for Iraq and the region raised $650 million in 2009. Facilitated by OCHA, a CAP occurs when there is an acute humanitarian need caused by a conflict, the government is unable or unwilling to address the need, and a single UN agency cannot meet needs. As of November 2009, 62% of the $650 million ($401.7 million) had been funded, with the United States providing almost 60% of that funding.

OCHA’s 2010 Iraq Humanitarian Action Plan (IHAP) reports that lack of water, shelter, food, protection, and access to education and health care have reached proportions that require a humanitarian response to meet immediate needs. Developed by 9 UN agencies, the International Organization for Migration (IOM), and 12 non-profit governmental organizations in Iraq, the IHAP addresses these humanitarian themes:
In FY 2009, about 25% of all refugees admitted to the United States were Iraqi (nearly 19,000). This quarter, 3,639 more Iraqis were settled in the United States. As of December 22, 2009, U.S. Embassy-Baghdad’s Consular Section had issued 2,903 special immigrant visas in FY 2010 under the authority of section 1059 of the National Defense Authorization Act for 2006 and section 1244 of the Refugee Crisis in Iraq Act.

The European Union (EU) is also assisting. According to a December 2009 Eurostat report, EU member states granted 16,600 Iraqi refugees asylum in the EU in 2008, making Iraqis the largest group (22%) of persons granted protection status in Europe. Most of the Iraqis settled in Germany and Sweden. Moreover, with 13,200 asylum applicants, Iraq is the country of origin of most asylum applicants worldwide for the fourth consecutive year.

Mounting Difficulties for Refugees and IDPs as Displacement Continues
Currently, nearly 1.7 million Iraqi refugees are estimated to live outside Iraq’s borders. Precise numbers cannot be determined because not all refugees have registered. About 74% of the registered and active refugee population lives in Syria, where refugees face mounting difficulties.

In FY 2010, OFDA has obligated an additional $3 million for humanitarian programs.
are dispersed among many large cities and often lack the ability to reach UNHCR services.

- Iraqi refugees in Syria are barred from formal employment. The situation for Iraqi refugees thus becomes more precarious with time as their savings run out.
- The UNHCR in Syria operates without the protection of a formal legal agreement, instead relying on the Syrian government’s tacit permission to provide services. Syria allegedly detained and forcibly deported Iraqi refugees in 2009.

In addition to refugees, an additional 2.9 million Iraqis are displaced within Iraq’s borders. Though protected by international human rights law, and humanitarian law in situations of armed conflict, IDPs are not protected by international refugee law because they have not crossed an international border. One-fifth of IDPs in Iraq are living in public buildings or shelters, and two-thirds of families do not have a breadwinner.

See the Security subsection for more detailed analysis on the human rights implications for refugees and IDPs.

Refugee and IDP Returns

Though the UNHCR estimates that in 2008 and 2009 more than 300,000 IDPs returned home and nearly 80,000 refugees returned to Iraq, there has not yet been a large-scale return of refugees to Iraq.

The UNHCR reports that poor conditions in Iraq, such as violence and lack of access to essential services, hinder returns. On December 11, 2009, UNHCR called on refugee host nations to refrain from forcibly returning asylum-seekers to Baghdad, Tameem, and other violence-prone areas until there is a substantial improvement in the security and human rights situation. Despite the impossibility of integrating with legal protection in Syria—the UNHCR states that integration in Syria is “not an option”—some returned refugees reportedly fled back to Syria.

As for the internally displaced, the MODM estimates that 55% may not wish to return to their homes of origin. Baghdad has the highest number of returnees: DoS estimates that 37% of all IDPs returned to Baghdad, and the IOM reports that 58% of identified returnees returned to Baghdad. Figure 3.17 shows the demographic breakout for IDPs in the provinces where they now live against the small combined total of former IDPs and refugees who have returned to their provinces of origin.

Ethnoreligious Factors for Refugees and IDPs Contemplating a Return

Notwithstanding difficulties in obtaining accurate data on IDPs, refugees, and returnees, the IOM has assessed more than 1.2 million IDPs and nearly 60,000 returnees (including the formerly displaced and returned refugees). Based on these assessments, the IOM reports an increasing homogenization along ethnoreligious lines as IDPs either return to their province of origin or remain in their current location:

- IOM statistics show that some ethnic and religious groups among displaced populations have not returned to particular provinces. For example, 62% of IDPs displaced from Anbar were Arab Shia Muslim, whereas currently only 1% of the province’s returnee population is estimated to be Arab Shia Muslim.
- Although the GOI continues to assert that return remains possible or desirable for all IDPs, nationwide the desire to integrate after displacement is 25%. Most of the IDPs in the south wish to integrate rather than return. In Basrah, an estimated 80% of IDPs wish to remain in the local population. Many of the IDPs in the south who wish to stay are Arab Shia Muslims.
- Many IDPs fled to the north, where the environment is more tolerant, particularly for minorities and Kurds. According to IOM assessments, more than two-thirds of Ninewa’s IDP families are members of Iraq’s minority communities, including Christians, Turkomen, Kurds, and others. Nearly half of IOM-assessed IDPs in Dahuk are Christians.
Figure 3.17
**Assessed IDPs vs. Returnees, by Province and Sect**

Provincial Reconstruction Teams (PRTs) periodically assess provincial governments’ progress toward self-reliance in five categories as part of a project called the Maturity Model Quarterly Assessment (MMQA), formerly called the Capability Maturity Model. The most recent assessment of the “national unity” category, completed in September and covering the period June 1, 2009, to August 31, 2009, shows uneven achievements toward political reconciliation in the provinces. Wassit, for instance, was the only province to achieve self-reliance in the national unity category. But Nineva, Diyala, and Qadissiya, with pronounced ethnosectarian tensions and political rivalries, were rated “developing”—just one step above “beginning.”

A province’s degree of national unity—which often accompanies greater security—may influence IDPs’ and refugees’ decisions of whether to return home or integrate locally. The IOM reports, however, other factors besides greater security that influence the decision, including the availability of shelter, employment, and basic services. For instance, in Wassit, 92% of IOM-assessed IDPs (98% of whom are Shia Muslim) said that they intend to integrate locally with the majority Shia Muslim population rather than return to their places of origin. However, while national unity has improved in Anbar province, a majority of IDPs in Anbar said they intend to return to their provinces of origin. In Qadissiya, where national unity remains low, only 41% of IDPs said that they wanted to stay in the province, even though most are Shia Muslims, and the host population is 98% Shia Muslim. For a detailed view of provincial progress in the national unity category, see Figure 3.18.
Health Care

The U.S. Department of Health and Human Services (HHS), USF-I, DoS, USAID, Naval Medical Research Unit 3 in Cairo, and USACE supported health care in Iraq this quarter. According to the Office of the Health Attaché (OHA) at U.S. Embassy-Baghdad, however, the OHA will not likely be maintained past the spring of 2010.369

Improving Iraq’s Public Health Workforce

U.S. training courses this quarter continued to build the capacity of local healthcare facilities. DoS-funded training courses educated Iraqis in telemedicine technology and distance-learning programs, as well as the development of medical specialists.370

U.S.-funded programs offered this quarter by the nonprofit International Medical Corps (IMC) included four courses on capacity-building training for medical educators, gastrointestinal laparoscopic surgery, orthopedic surgery, and acute pediatric care. IMC also designed and implemented a curriculum for Radiation Oncology.371

U.S.-funded Hospital Construction Projects

On October 1, 2009, DoD transferred the Ibn Sina Hospital back to the GOI. Formerly a large U.S. combat support hospital in Baghdad, Ibn Sina has treated U.S., Iraqi, and Coalition personnel and civilians since 2003.372 The hospital was transferred without 100 of the approximately 9,800 pieces of equipment, such as intensive care unit beds and...
Status of Outbreaks, Illnesses, and Infant Mortality in Iraq
The World Health Organization (WHO) continues to monitor outbreaks of the H1N1 virus in Iraq. As of November 25, 2009, WHO reported 2,466 laboratory-confirmed cases, 15 of which resulted in deaths.\(^376\) The GOI Ministry of Health has been collaborating with WHO to prevent and monitor the spread of the virus.\(^377\)

Iraqi officials report that Iraq is witnessing a large rise in infant deformities and cancer rates. The board of directors at Falluja’s main hospital formed a task force to investigate these cases.\(^378\)

Iraq ranks 60th among 224 countries in infant mortality, with an estimated 44 deaths per 1,000 live births. Angola tops the list. By comparison, Afghanistan ranks 3rd, with 152 deaths for 1,000 live births, and the United States ranks 180th.\(^379\) For more on infant mortality rates in selected countries, see Table 3.11.

### Table 3.11

<table>
<thead>
<tr>
<th>Country</th>
<th>Infant Mortality/1,000 Live Births</th>
</tr>
</thead>
<tbody>
<tr>
<td>Switzerland</td>
<td>4.18</td>
</tr>
<tr>
<td>United States</td>
<td>6.26</td>
</tr>
<tr>
<td>Georgia</td>
<td>16.22</td>
</tr>
<tr>
<td>Egypt</td>
<td>27.26</td>
</tr>
<tr>
<td>Iraq</td>
<td>43.82</td>
</tr>
<tr>
<td>Pakistan</td>
<td>65.14</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>151.95</td>
</tr>
</tbody>
</table>


Education
U.S. assistance in the education sector continues to transition from construction and rehabilitation efforts to capacity development and logistical support for schools. In accordance with the Strategic Framework Agreement, the United States and GOI are currently collaborating on programs designed to expand educational exchange opportunities between the two countries.

This quarter, U.S. Embassy-Baghdad, in cooperation with the nonprofit Academy for Educational Development, launched a $1.2 million series of workshops to train more than 200 Iraqi professionals in the field of student advising and career development, specifically to prepare them to advise Iraqi exchange students.\(^380\) In addition, in November 2009, U.S. Embassy-Baghdad expanded the Fulbright Visiting Scholar Program for Iraq.\(^381\)

USACE reported that construction of a $2 million, ESF-funded school in Sadr City was completed this quarter. The Al Khawarizmy Intermediate School is designed to accommodate more than 1,500 students.\(^382\)
With the added revenue, there will be a huge reconstruction program in the country. So I think within 10 years we are going to see a different Iraq than people are used to; an Iraq where people live much better lives, where services are available, where the standard of living is going to be much higher, and where the oil industry is going to lead the economic program.

—Iraqi Minister of Oil Hussein al-Shahristani, December 2009

As of December 31, 2009, the United States had allocated $1.57 billion, obligated $1.57 billion, and expended $1.37 billion to support Iraq’s economic governance and private-sector development. This quarter, economy programs accounted for just 2% of new obligations and 6% of new expenditures.

For the status of U.S. funding to support economic development, see Figure 3.19 and Table 3.12.

There were $8.6 million in net obligations for economy programs this quarter, 88% fewer than last quarter. All new reported obligations—$9.0 million—were in the ESF-funded Izdihar program. A small amount was de-obligated from the Targeted Development Program. This quarter, cumulative expenditures rose by $53.0 million, 89% more than last quarter. Expenditures were spread among several programs, including the IRRF 2-funded Market-Based Reforms program, Izdihar, Provincial Economic Growth, and Inma agribusiness development. The ESF accounted for 76% of new expenditures, and IRRF 2 accounted for 22%.

Key Economic Developments and Trends

This quarter, Iraq received $12.67 billion in total revenue from the export of crude oil; $0.63 billion (5%) of that was reserved for war reparations to Kuwait, leaving $12.03 billion in oil export receipts. Iraqi oil receipts totaled $37.02 billion in 2009.

If the winning bidders from Iraq’s first and second petroleum licensing round meet their plateau production targets, Iraq’s crude oil production—and its annual oil export revenues—could increase significantly in the next 10 to 15 years. National legislation that addresses revenue distribution between the GOI and the provinces is considered key to reconciliation and to realizing the full benefits from Iraqi oil exports. The GOI has not yet achieved this milestone, but the Minister of Finance has expressed confidence that the parliament to be elected in March 2010 will pass the legislation.

Even with increased production, Iraq’s government revenue and economy will remain vulnerable to fluctuations in the price of oil. Iraq’s highly centralized economy is dominated by the oil sector, which accounted for 53% of gross domestic product (GDP) in 2009, behind only Angola and Libya among OPEC countries. In 2009, oil export receipts accounted for 87% of all estimated government revenue, and budgeted GOI expenditures accounted for 84% of GDP. Despite efforts to spur economic growth outside the oil sector, its role in the Iraqi economy is growing: real GDP growth in the oil sector has outpaced non-oil growth for the last three years.
Iraq’s vulnerability was made clear in the recent global recession. Real GDP growth dropped from 9.5% in 2008 to 4.3% in 2009. The sharp drop in oil prices from mid-2008 to early 2009 caused growth in the oil sector to drop from 12.3% in 2008 to 4.6% in 2009, versus a less severe decline in the rest of the economy, from 5.4% to 4.0%. For details on the predominance of oil in the Iraqi economy and the impact of oil prices on export receipts and GDP, see Figure 3.20.

Iraq’s recent monetary stability persisted through the end of 2009. Prices dropped in 8 of the last 12 months, and continued to drop this quarter, based on a broad index, as year-on-year inflation fell to negative 4.9% in November from negative 0.3% in August 2009. The year-on-year core inflation rate (which excludes fuel, electricity, transportation, and communications) fell to 4.8% in November, from 10.8% in August. The Central Bank of Iraq (CBI) has kept interest rates at 7% since June 2009 and held Iraq’s exchange rate at 1,170 dinar per dollar since January 2009.392

Estimates of unemployment in Iraq vary. The Iraqi Central Organization for Statistics and Information Technology (COSIT)—which is responsible for conducting economic surveys—has not provided official unemployment figures for 2009, citing political obstacles in the run-up to the election. COSIT’s unofficial estimates for 2009 were 15.5% unemployment and 29% underemployment.393 This is a considerable change from the official figures for 2004 of 26% unemployment.394 However, estimates from other sources put 2009 unemployment as high as 30%.395

The most comprehensive data available, assembled by COSIT and the World Bank from November 2006 to November 2007, shows that Iraq’s economy is unable to provide enough jobs for its growing population. By many standards, Iraq is characteristic of conservative, developing countries: the population is young and growing, young people in the workforce face the highest rates of unemployment, and women are less likely than men to be economically active.396 For details, see Figure 3.21.

As of December 31, 2009, 16,507 civilian Iraqis have received job training through U.S.-funded programs, and 1,867 of that total received on-the-job training.397 This contrasts with more than 700,000 ISF personnel trained in U.S.-funded programs.398

### Table 3.12

<table>
<thead>
<tr>
<th>Sector</th>
<th>Program</th>
<th>Status of Funds</th>
<th>Quarterly Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Obligated</td>
<td>Expended</td>
</tr>
<tr>
<td>Economic Governance</td>
<td>Private Sector Development—Market-Based Reforms (IRRF 2)</td>
<td>135.0</td>
<td>118.6</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>687.7</td>
<td>642.0</td>
</tr>
<tr>
<td></td>
<td>Subtotal</td>
<td>822.7</td>
<td>760.6</td>
</tr>
<tr>
<td>Private Sector Development</td>
<td>Izdihar (ESF)</td>
<td>32.8</td>
<td>31.4</td>
</tr>
<tr>
<td></td>
<td>Provincial Economic Growth (ESF)</td>
<td>85.8</td>
<td>48.7</td>
</tr>
<tr>
<td></td>
<td>Inma Agribusiness Development (ESF)</td>
<td>124.0</td>
<td>82.5</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>503.9</td>
<td>448.9</td>
</tr>
<tr>
<td></td>
<td>Subtotal</td>
<td>746.5</td>
<td>611.4</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>1,569.2</td>
<td>1,372.0</td>
</tr>
</tbody>
</table>

Note: Data not audited. Numbers affected by rounding. The status and quarterly change for programs in the “Other” categories may be found in Appendix C. OSD does not report CERP allocation, obligation, and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP allocation, obligation, and expenditure data from the IRMS, which lags in reporting by one quarter. Therefore, totals may not match top-line values found in the Funding Sources subsection of this Report.

On December 21, 2009, the Security Council issued Resolution 1905, citing Prime Minister al-Maliki’s request that the IAMB continue its oversight role over the DFI and extending the Board’s mandate through December 31, 2010. Resolution 1905 also calls on the GOI to formulate an action plan for the eventual transfer of DFI oversight, in accordance with auditing arrangements and debt obligations.

Economic Governance

Oversight of Iraqi Oil Revenues

In August 2009, the UN Security Council endorsed a recommendation that Iraq assume greater oversight responsibility of the Development Fund for Iraq (DFI) from the International Advisory Monitoring Board (IAMB), whose mandate was to expire on December 31, 2009.
Private Sector Development

Agriculture
Agriculture constitutes approximately 8.4% of Iraq’s GDP and provides employment for 12.3% of the total workforce. This quarter, the ongoing shortage of water in much of the country continued to undermine Iraq’s ability to meet domestic demand for wheat, rice, and other food staples. Despite some improvements in the amount of rainfall in parts of Iraq this quarter, the U.S Department of Agriculture’s Foreign Agricultural Service expects Iraq’s 2009–2010 winter grain harvest to improve only slightly over last year’s depressed yield, from 1.30 million tons to 1.35 million tons, or roughly 45% below normal production.

Iraq’s 2010 agricultural output (particularly in Iraq’s northern provinces, which have few irrigation resources and rely heavily on rainfall) will depend largely on whether precipitation in the first...
months of the year returns to normal levels.\textsuperscript{415} Even under normal conditions, Iraq is highly dependent on food imports.\textsuperscript{416} Now two years into the drought, Iraq will again be forced to import more wheat, rice, vegetables, and fruits than it would otherwise.\textsuperscript{417}

**Public Distribution System**

The damaging effects of the drought, the shortfall in domestic foodstuffs production, and the subsequent loss of income among farmers will likely be offset by Iraq’s Public Distribution System (PDS).\textsuperscript{418} With an estimated cost of $5.3 billion for 2009 (9\% of the GOI budget), the PDS is the largest food-ration program in the world,\textsuperscript{419} providing a safety net for approximately 2.8 million Iraqis who rely on the system for their basic sustenance.\textsuperscript{420} The heavy subsidization of food staples is often cited as a factor in distorting commodity prices and discouraging domestic production and development of the agricultural sector.\textsuperscript{421}

Efforts to reform the PDS, first announced in August 2008, have been slow and have produced limited results. In a survey published in the most recent UN World Food Programme (WFP) report on food security in Iraq, the vast majority of respondents oppose a proposal to transition the subsidy to a cash stipend, preferring the current basket of goods.\textsuperscript{422} Iraqis often trade unused items from the PDS basket for other goods,\textsuperscript{423} and would lose those tradable goods should the PDS be replaced with stipends. Major reforms are unlikely before the March 2010 parliamentary elections.\textsuperscript{424} But this quarter, WFP and the Ministry of Trade (which administers the PDS) signed a memorandum of understanding calling for both parties to work to improve the PDS supply chain through capacity training, technology transfer, and increased technical assistance.\textsuperscript{425}

In the 2009 GOI budget, the Ministry of Trade was requested to develop a plan to target the PDS to needy Iraqis and remove from the program families that earn the equivalent of approximately $1,300 or more per month.\textsuperscript{426} The GOI has taken steps of its own recently, reportedly removing 73,000 government employees from the PDS roles as part of a “downpayment” on reform.\textsuperscript{427} DoS continues to encourage the GOI to make the system more effective through reform.\textsuperscript{428}

**U.S.-funded Initiatives**

This quarter, the U.S. government continued its efforts to increase the output and efficiency of Iraq’s agricultural sector. In November 2009, the year-old Green Mada’in Association for Agricultural Development (GMAAD) celebrated the opening of its new office and warehouse facilities in Mada’in Qada, east of Baghdad.\textsuperscript{429} The not-for-profit cooperative, an initiative sponsored and overseen by the U.S. Department of Agriculture (USDA) and the local PRT, provides free technical assistance and fee-based mechanical field services (including plowing, tilling, and planting) and extends credit for seed and fertilizer to area farmers.\textsuperscript{430} The project was initially funded with $5.77 million from DoS,\textsuperscript{431} and follow-on work was funded by $4.5 million of the CERP, which has been used to install more than 600 drip irrigation systems and over 400 greenhouses in the community. This is the largest U.S.-funded agricultural project in Iraq,\textsuperscript{432} with total membership of more than 800, growing at an average rate of 10\% each month.\textsuperscript{433} USAID continued its work this quarter, spending $18 million in Iraq’s agricultural sector through the Inma agribusiness development program.\textsuperscript{434} Some examples of these recent investments include:\textsuperscript{435}
Foreign Direct Investment and Trade

The recent passage of amendments to the National Investment Law, a series of Iraq investment conferences in Baghdad and abroad, and the outcome of the second auction for oil-service contracts continue to stir foreign interest in Iraq.443 This quarter, businesses filed for 170 investment licenses—double the number filed last quarter—although many of those applications have yet to result in licenses being issued.444 Some examples of large-scale investments in Iraq include:

- Najaf Airport, a $40 million project funded largely by a Kuwaiti/UAE-based investment group
- a $120 million hotel in Baghdad’s International Zone, funded by U.S. and Iraqi investors, currently under construction and scheduled for completion by summer 2011

Currently, 43 banks operate in Iraq (7 of which are state-owned), with a total of approximately 760 branches.439 The state-owned Rasheed and Rafidain Banks continue to dominate the Iraqi banking sector, with approximately 88% of deposits between them.440 Most foreign banks have a presence in Iraq via partial ownership of standalone banks.441

The Trade Bank of Iraq (TBI) announced at the end of November that it had contracted with Thomson Reuters for services to access international foreign exchanges.442 This quarter, the International Monetary Fund (IMF) estimated that Iraq’s current account balance would be negative for 2009.446 If accurate, it would be the first year Iraq has run a trade deficit since 2005.447 Iraq imports the majority of the foodstuffs and manufactured goods it needs from abroad, and continues to face tight restrictions on exports.

### Graph: Iraq’s Trade Balance

<table>
<thead>
<tr>
<th>Year</th>
<th>Current Account Balance</th>
<th>Imports</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>-30.0</td>
<td>20.0</td>
<td>50.0</td>
</tr>
<tr>
<td>2008</td>
<td>-17.5</td>
<td>32.5</td>
<td>50.0</td>
</tr>
<tr>
<td>2007</td>
<td>-5.0</td>
<td>45.0</td>
<td>50.0</td>
</tr>
<tr>
<td>2006</td>
<td>7.5</td>
<td>57.5</td>
<td>50.0</td>
</tr>
<tr>
<td>2005</td>
<td>20.0</td>
<td>70.0</td>
<td>50.0</td>
</tr>
<tr>
<td>2010</td>
<td>32.5</td>
<td>90.0</td>
<td>50.0</td>
</tr>
</tbody>
</table>

USAID’s Tijara program had provided $34 million in micro-loans to 18,039 women as of mid-2009. Further examples of ongoing U.S.-supported women’s entrepreneurship include microfinance loan programs for women-owned businesses, training to promote literacy and computer skills, small-scale agricultural and animal husbandry projects, as well as textile and seamstress training workshops.