DEVELOPMENTS IN IRAQ

GOVERNANCE

The 100-day deadline for improved ministerial performance set by Prime Minister Nuri al-Maliki in February passed on June 7 without any ministers being replaced for poor performance. Stating that it was unrealistic for officials to effect drastic changes in performance within such a short period, Prime Minister al-Maliki provided his ministers another 100 days to outline their performance-improvement plans. Meanwhile, he continued to hold the portfolios of Minister of Defense and Minister of Interior, as the major political blocs have yet to agree on mutually acceptable candidates.260

Ministerial Accountability

Last winter’s protests—which prompted the 100-day review—were fueled largely by public anger over poor services and the widespread perception that corruption is rampant in most ministries. In an effort to defuse public discontent over these problems, Prime Minister al-Maliki ordered his ministers to appear on national television this quarter to detail their plans for reforming their ministries. Beginning with Deputy Prime Minister (DPM) for Energy Affairs Hussein al-Shahristani, several senior Government of Iraq (GOI) officials delivered nationally televised addresses in early June, promising improved delivery of public services and stricter adherence to the rule of law.261

This gesture—the first of its kind in post-2003 Iraq—concluded sooner than originally planned but was in keeping with a series of other recent measures apparently designed to increase governmental transparency and accountability. For example, many GOI agencies are updating their websites more frequently with information about ministerial plans and issuing more detailed reports on government activities. For instance, some provincial investment commissions (including Anbar) now post on their Arabic-language websites information about contracts and development plans.262 In addition, the Ministry of Electricity (MOE) announced in early July that it was forming a new office that would be open seven days per week to answer citizen inquiries.263 Moreover, many GOI agencies required by law to issue annual reports are publishing more detailed accounts of their activities. The Commission of Integrity (COI), Iraq’s chief anticorruption agency, released its annual report this summer. It provides a comprehensive look at anticorruption activities in Iraq. For a summary of the report’s findings, see the Rule of Law subsection in this Quarterly Report.264

Structuring the Government of Iraq

Security Portfolios

In early June, Prime Minister al-Maliki appointed his close advisor, Falih al-Fayiad, as Acting Minister of National Security. But as of July 20, al-Maliki continued to serve as acting head of both the Ministry of Defense (MOD) and Ministry of Interior (MOI). The U.S. Forces-Iraq (USF-I) Deputy Commanding General for Operations stated to SIGIR in May that the continued lack of permanent
ministers at MOD and MOI was having an adverse effect on the ability of these ministries to create and implement long-term strategic plans.265

Vice Presidents

This quarter, one of Iraq’s three vice presidents (VPs), Adel Abdul al-Mahdi, of the Shia Islamic Supreme Council of Iraq (ISCI) party, resigned. According to a statement released by ISCI, his resignation was an expression of the will of the Shia community and a statement against excessive state spending on politicians with purely symbolic or superficial duties.266 As part of the compromise agreement reached late last year among the main Iraqi political blocs, the GOI added one more VP and one more DPM, bringing to three the total number of each. The two remaining VPs—Tariq al-Hashimi, of the Iraqi National Movement (a Sunni party allied with al-Iraqiya bloc) and Khudayer al-Khuza’ie, of the Dawa Tanzim party (a part of Prime Minister al-Maliki’s State of Law coalition) continue to serve.267

On July 10, SIGIR officials met with VP al-Khuza’ie in Baghdad. He stated that the current corruption and security problems facing Iraq result from myriad factors, including post-2003 violence, the lasting legacy of the Ba’athist dictatorship, and the Iraqi people slowly coming to grips with their rights and obligations as citizens of a democratic republic. He added that he believes Iraq is heading in the right direction—remarking that the “winds of change that blew into the region this year emanated from Iraq”—but noted that supporters of the former dictatorship, as well as some regional powers, continue to threaten the sustainability of Iraqi democracy.268

Downsizing the GOI

In July, Prime Minister al-Maliki approved a plan to reduce the number of cabinet-level officials from 42 to 30 (29 ministers and the prime minister). Described as an effort to reduce public expenditures, this plan would eliminate some of the at-large ministers of state whose responsibilities are more advisory than executory in nature. As of July 17, the CoR was considering the prime minister’s initiative.269

National Council for Higher Policies

In a May 5 meeting with SIGIR, former Prime Minister Allawi, whose bloc won the most seats in the CoR in the March 2010 elections, indicated that formation of the new National Council for Higher Policies (NCHP) might still be possible. Proposed by U.S. diplomats as an Allawi-led forum for strategic decision making, the prospect of the NCHP was an integral part of the government-formation compromise that was brokered by Kurdistan Regional Government (KRG) President Massoud Barzani in late 2010. Allawi stated that he is currently engaged in discussions with Barzani and other prominent political figures about the NCHP’s fate. As of mid-July, however, the NCHP remained unformed, and questions about its constitutionality remain.270

Issues of Regionalism

Some of this past winter’s most violent protests took place in the Kurdistan Region. In discussions with SIGIR this quarter, GOI officials identified the rising Kurdish middle class’s growing dissatisfaction with the political duopoly that controls the region as one of the prime factors driving instability there. Although the region’s standard of living has improved over the past decade, many Kurds have become dissatisfied with the dominance of the Patriotic Union of Kurdistan (PUK) and the Kurdistan Democratic Party (KDP)—both led by groups whose formative experiences came during the armed struggle against the Saddam regime.271

Legislative Update

Status of Legislation

To pass the CoR, a bill must undergo three readings, at which time members may propose changes
to the text. Legislation passed by the CoR becomes law only after it is sent to the president and published in the Official Gazette (similar to the U.S. Federal Register). As of the end of June, 176 bills had been proposed, 44 had undergone one reading, 22 had been through a second reading, and 16 had become law. Table 4.1 lists legislation that has passed the CoR and been published in the Gazette as of June 30, 2011.272

For several years, the CoR has been unable to pass a package of hydrocarbon laws that would regulate Iraq’s oil and gas sectors. One of the main obstacles to passage of these laws is the longstanding difference of opinion between the national government and the KRG over how to allocate oil revenues. In May, DPM for Energy Affairs al-Shahristani told SIGIR that he was skeptical about the prospects of passage, stating that he doubted the hydrocarbon laws would pass in the near future.273

CoR Committees
CoR committees continued to exercise their oversight function this quarter. Significant committee activities included:274

- The Integrity Committee pressed forward with its investigation into corruption at the MOD, focusing on allegations of improperly purchased aircraft from Eastern European countries.
- The Security and Defense Committee responded to the wave of assassinations of senior GOI military and civilian officials by demanding changes in personnel at the Baghdad Operations Center, the GOI interagency entity responsible for security in the capital.
- The Oil and Energy Committee attempted to forge a compromise between the Ministry of Oil and KRG over the issue of oil contracts with foreign companies.

Census Delayed
The GOI has repeatedly postponed holding a national census because of concerns that it would upset the fragile stability that has prevailed between the Arab and Kurdish populations along

| TABLE 4.1 |
| CoR LEGISLATIVE ACTIVITY, 1/1/2011–6/30/2011 |
| PASSED LEGISLATION |
| Vice Presidents law |
| Budget law for 2011 |
| Cancellation of the ratification of al-Ahdab oil field development and production contract |
| Modification of the crude-oil pipeline agreement signed in August 1973 |
| Cancellation of Revolutionary Command Council (RCC) decree 349 of 1991 |
| Cancellation of RCC decree 100 of 1995 |
| Repeal of Article 136(b) of the Iraqi Criminal Procedure Code |
| First amendment to the Private Investment Law regarding the refinement of crude oil |
| Claims Settlement Agreement with the United States |
| Ratification of memoranda concerning Japanese loan of 2010 |
| Association of administrative organizations |
| Consultative committees |
| Cancellation of RCC decree 133 of 1985 |
| Law of the Mukhtars |
| Law of the Service and Retirement for the Internal Security Forces |
| Ratification of nomination of two judges to the special cassation committee examining appeals filed against decisions of the Accountability and Justice (De-Ba‘athification) Commission |

Source: CoR, information provided to SIGIR, 7/1/2011.

the disputed internal boundary in the north. According to the Deputy Minister of Planning, the main obstacle to conducting the census is Kurdish leaders’ opposition to a question on the proposed census form which would ask respondents to classify themselves by ethnic group. When held, the census would be Iraq’s first complete national census since 1987.275

Government Capacity-development Programs
As of June 30, 2011, the United States had obligated $5.59 billion and expended $5.24 billion for governance programs in Iraq, mainly through the Economic Support Fund (ESF).276

Two programs were reported near completion this quarter: the Local Governance Program (LGP), an initiative designed to strengthen Iraq’s provincial governments; and the long-running National Capacity Development Program (called
Tatweer, or “development,” in Arabic), which has trained government employees at the national level. Tatweer is slated to end on July 31, 2011, while LGP, originally scheduled to end this quarter, was extended until September 2011. Both programs are administered by the U.S. Agency for International Development (USAID).

Three additional capacity-building programs administered either by USAID or the U.S. Department of State (DoS) remained ongoing this quarter: the Community Action Program (CAP), which is scheduled for completion by September 2012; the Ministerial Capacity Development (MCD) program; and the Democracy and Civil Society programs. The latter two are scheduled for completion in 2013.

For the status of funding for these five ESF-funded capacity-development programs, see Figure 4.1.

**National Capacity Development**

From its inception in 2006 through June 30, 2011, the Tatweer program expended a total of $304.1 million of the ESF, including $4.7 million this quarter, to train Iraqi government civil servants in core public administration functions and to improve internal functions of key ministries.

This quarter, Tatweer graduated its first group of 70 master trainers equipped to develop curricula, assess training needs, and prepare annual training plans. As part of its sustainability plan, the program turned over essential training material to some GOI universities.

Although Tatweer is scheduled to end on July 31, 2011, a final evaluation of the program, which was commissioned by USAID and carried out by the QED Group, was released in April 2011. The report praised Tatweer’s program for training about 76,000 of roughly one million government employees. Originally, Tatweer set out to create a national training center that would develop the Iraqi Civil Service, but this goal was abandoned after U.S. officials determined that the GOI lacked the capacity to create a national service. Tatweer re-focused its efforts on training GOI employees and, in 2008, shifted its emphasis from individual employee training to a “train the trainers” program. It also formed the Tatweer Energy Group to provide technical assistance to the Ministry of Oil, its 16 operating companies, and the Ministry of Electricity. Tatweer created a national employee database, a Geographic Information System (GIS), and a digitized social security system, among other initiatives. It also helped Iraqi officials create the National Development Plan (2010–2014).

However, the report noted that “soft impacts” such as organizational culture changes and the embrace of modern techniques were not achieved. The
noted an absence of political will to decentralize government, noting that Prime Minister al-Maliki had opposed the Provincial Powers Act. Moreover, the report noted that the CoR had plans to pass new legislation, called Law 25, that would end traditional, informal levels of local government that have been active in Iraq since the 1970s.288

When the LGP ends in September, USAID plans to begin a new ESF-funded Governance Strengthening Project that will continue to support decentralization in Iraq through 2016.289

**Community Action Program**

As of June 30, 2011, USAID had expended a total of $339.1 million of the ESF on CAP projects since its inception in 2003, including $14.6 million this quarter for the third phase of the program, which seeks to strengthen government at the district and sub-district levels.280 USAID reported that four implementing partners continued to administer CAP programs, such as supplying nets to fishermen, supporting women’s embroidery cooperatives, paving rural roads, and building playgrounds. CAP also oversees the Marla Ruzicka War Victims Fund, set up in 2003 to aid Iraqis and the families of Iraqis killed or injured by U.S. or Coalition military operations.291

**Democracy and Civil Society**

Since 2003, DoS has expended a total of $199.3 million, including $15.8 million this quarter, to fund Iraqi programs through its Bureau of Democracy, Human Rights, and Labor (DRL).292 DRL reported that 51 democracy and civil society projects, valued at $202 million, were ongoing or started this quarter. Thirteen of these are human rights grants, totaling $36.3 million, and 26 are democracy and governance programs, totaling $154 million. DRL also manages 12 grants totaling $11.2 million that address women’s issues. These activities are designed to assist the CoR and the KRG to perform core functions and increase transparency, provide advanced training for political parties and candidates, support political campaign management,
Provincial Development

By July 31, 2011, only four PRTs will remain active in Iraq. They will continue to draw on the ESF Quick Response Fund (QRF) and Provincial Reconstruction Development Council (PRDC) programs to support a variety of ongoing DoS-administered projects in Iraq’s provinces.297 DoS reported that 200 QRF projects were completed this quarter at a cost of $6.4 million, and 38 new QRF projects were approved at a collective cost of $2.3 million.298 The highest-value ongoing projects were the My Arabic Library project, valued at $1.8 million, and a $1.5 million project to develop primary schools for the Chaldean Archdiocese of Erbil in the Kurdistan Region.299

As of June 30, 2011, DoS had completed 382 PRDC projects, valued at $457.7 million, including several that addressed water and sanitation needs, school rehabilitation, and electricity needs. The highest-value completed PRDC project this quarter was the $11.5 million al-Kibla sewer and storm network in Basrah province.300 This quarter, 46 projects, valued at $122 million, remained ongoing. For an overview of funding for the QRF and PRDC funds, see Figure 4.2.

Ministerial Capacity Development

The DoS-administered MCD program is the smallest of the U.S. governance capacity-development programs, with $50 million in ESF funds set to expire by December 30, 2013. This quarter, the Iraq Strategic Partnership Office (ISPO) expended approximately $2.8 million to administer five projects that were completed this quarter, including $181,000 to provide technical assistance to the Deputy Prime Minister, $20,000 to develop plans for water sharing, $1.6 million to support investment programs, $406,000 to assist with the MOE’s master plan, and $592,000 for programs to improve the rule of law. An additional $2 million has been granted to extend support for investment programs through 2012. A $2 million effort to provide a subject matter expert for the GOI Ministry of Transportation is ongoing, with $61,000 expended this quarter.296

Internally Displaced Persons and Refugees

The United Nations High Commissioner for Refugees (UNHCR) reported that more than 838,000 internally displaced persons (IDPs) and more than 460,000 refugees displaced since 2003 had returned to their places of origin in Iraq by the end of 2010. From January through May 2011, an additional 37,210 IDPs and 19,170 refugees had returned to their homes.301 For a breakdown of IDP and refugee returns by year since 2003, see Figure 4.3.

Despite those returns, UNHCR noted that there were still more than 1.3 million Iraqis displaced inside Iraq as of January 2011. UNHCR also

emphasized that occasional reports of new internal displacements continued to occur, particularly among Iraq’s minority communities. Similarly, UNHCR reported that there were still 188,599 Iraqi refugees, asylum seekers, and others registered with UNHCR in neighboring countries—including Egypt, Iran, Jordan, Lebanon, Syria, Turkey, and Persian Gulf countries—as of May 31, 2011. The actual number of Iraqi refugees is thought to be much higher, but determining that number remains challenging partly because not all refugees register with the UNHCR and many live dispersed in urban areas.

Regionally, Syria and Jordan remain top destinations for Iraqi refugees. As of May 31, 2011, the UNHCR reported it had registered a total of 126,183 Iraqi refugees in Syria and 31,676 refugees in Jordan. Syria was the largest recipient in the region for refugees, not counting Palestinians, despite ongoing violence in parts of that country. The country’s borders remain open to Iraqi refugees, and schools continue to receive refugee children. Iraqi refugees may account for as much as 9% of Jordan’s population, according to a UNESCO report. Jordan, however, does not recognize Iraqis as refugees; instead, it refers to them as “guests.” In 2007, Jordan began to allow Iraqi refugee children access to education.

While Iraqi refugees residing in certain Arab countries faced additional obstacles because of civil unrest in those countries, UNHCR reported that protection for refugees has not been “substantially degraded” by political violence. Many refugees who returned to Iraq because of regional unrest said that they planned to leave Iraq again as soon as the regional unrest subsided. Nevertheless, Iraq’s Ministry of Displacement and Migration announced last quarter it would provide free airplane tickets home for Iraqis who sought to flee the unrest; DoS reported this quarter that the ministry had provided 420 Iraqi families with free flights home from Egypt. All refugees who returned to Iraq with the intention to stay permanently were eligible to receive a grant of about $1,285.

### Figure 4-3

**Return of Iraqi IDPs and Refugees, 2003–2011**

![Graph showing return of Iraqi IDPs and Refugees, 2003–2011](image)


**U.S. Support for Refugees and IDPs**

DoS and USAID continued this quarter to administer support programs for IDPs and refugees through several U.S. and international programs.

#### DoS Programs

As of mid-July, DoS has provided $201.8 million in humanitarian assistance for Iraqi refugees, IDPs, and conflict victims. This quarter, DoS reported working with UNHCR, the GOI, and the UN’s International Organization for Migration (IOM) and World Food Programme (WFP) to support the reintegration of IDPs and refugees who wished to return to their places of origin. The DoS Bureau of Population, Refugees, and Migration (PRM) reported that programs included in-kind grants, assistance in developing business plans, and small-scale infrastructure projects designed to have quick impact on the economy. Projects were concentrated in eight provinces, including Baghdad, Diyala, Ninewa, Anbar, Babylon, Basrah, Erbil, and Sulaymaniyah. Outside Iraq, PRM reported supporting UNHCR and other organizations in Syria, Jordan, Lebanon, Turkey, and Egypt to assist Iraqi refugees with psychosocial support, education, vocational training, and cash, among other aid. In addition, PRM supports the construction of shelters and the provision of rehabilitation and protection services for returnees and those who integrate locally.
GOVERNANCE

USAID/OFDA Programs
As of June 30, 2011, USAID’s Office of Foreign Disaster Assistance (OFDA) has provided more than $22 million in humanitarian assistance to vulnerable populations in Iraq, including IDPs. This quarter, OFDA reported providing life-saving support through programs to distribute essential emergency relief supplies, provide emergency shelters, expand access to water and sanitation, generate income opportunities, and support agriculture and food security.315 In addition to supporting programs for IDPs, OFDA has provided approximately $1.25 million to support activities specifically in Diyala and Baghdad provinces, from which large numbers of people fled sectarian violence. According to PRM, the support benefited almost 170,000 vulnerable people, including IDPs.316

GOI Support for Refugees and IDPs
The GOI continues to aid IDPs throughout Iraq with particular emphasis on the provinces of Diyala and Baghdad, which were hard hit by sectarian violence and rank highest in the number of families displaced since 2007. Through a program called the Diyala Initiative (discussed further in the special section on Diyala in this Quarterly Report), the GOI began in July 2009 to aid IDPs and refugees who wished to return to that province.317 Recently, discussions began to expand the initiative to Baghdad.318 The GOI also has formulated a National Policy on Displacement that emphasizes, among other things, the right of IDP children to education.319 Since May 2010, Baghdad and Diyala provinces have absorbed the largest number of return IDPs (see Figure 4.5). Baghdad also topped the list for returns of refugees (see Figure 4.6).

International Support for Refugees and IDPs
With DoS support, UNHCR continued this quarter to register Iraqi refugees in neighboring countries and to provide basic assistance such as food, water, health, and education services to refugees. Additionally, it worked with refugees to

PRM also continued its program to resettle Iraqi refugees and Special Immigrant Visa (SIV) holders who qualified to relocate to the United States. As of June 10, 2011, more than 63,400 Iraqi refugees and SIV holders had resettled in the United States since October 2007 through two separate programs, 58,925 resettled as refugees and at least 4,509 resettled with SIVs (DoS only tracks SIV holders who elect to resettle and seek benefits through PRM). This quarter, 662 Iraqis resettled as refugees, and 28 resettled with SIVs. The majority of refugees have resettled in California, Michigan, Texas, Arizona, and Illinois, while most SIV holders have resettled in Texas, California, Virginia, Arizona, and Michigan.314 For an overview of refugee resettlement in the United States, see Figure 4.4.

PRM reported supporting UNHCR and other organizations in Syria, Jordan, Lebanon, Turkey, and Egypt to assist Iraqi refugees.
provide essential documentation and legal services. Inside Iraq, UNHCR coordinated emergency shelter, water, and sanitation services to IDPs, with particular focus on some 500,000 IDPs living in squatter settlements in Baghdad. UNHCR also continued to help IDPs with legal counseling and services through its Return, Reintegration, and Community Centers. 320

**Iraqi Minority Communities**

While demographic statistics are lacking due to the absence of a current census, various nongovernmental organizations estimate that Iraq’s ethnic and religious minorities make up no more than 10% of the population. These include Christians, Turkmen, Yazidis, Sabaeans-Mandaens, Baha’is, Shabaks, Feyli Kurds, Kaka’is, and a very small number of Jews. Violence, both general and targeted against minorities, reportedly has caused large numbers of Iraqis in most minority communities to flee the country. Estimates vary, but the Christian population is thought to have been reduced by more than half since 2003, while the Mandaean-Sabaean population has dwindled by more than 80% and the Yazidis have been reduced by more than one-third. 321 Figure 4.7 shows concentrations of minority populations in Iraq.

Although Iraq’s Constitution establishes freedom of religion, the U.S. Commission on International Religious Freedom (USCIRF) reported this quarter that continued violence in the country has posed a threat to religious and ethnic minorities. Sectarian attacks against religious leaders and places of worship reportedly continued this quarter, and significant numbers of minority populations continued to seek refuge outside Iraq, even as the GOI has made an effort to safeguard minorities. The USCIRF report paints a grim picture of life in Iraq for minority communities, including reports of kidnappings, rape, torture, beheadings, bombings of religious sites, and forced displacements and conversions. The violence has provoked a “mass exodus” of minorities and prompted USCIRF to recommend that Iraq be placed on the State Department’s list of “countries of particular concern,” a designation reserved for states that have engaged in “systematic, ongoing, and egregious” violations of religious freedom. The report also noted that Iraq’s government had failed to provide protection or justice for those persecuted because of their religious affiliations. 322

Violence reportedly has caused large numbers of Iraqis in most minority communities to flee the country.
This quarter, U.S. Embassy-Baghdad reported approving two new QRF-funded projects, with a combined cost of $196,535, to aid Iraq’s minority communities; as of June 30, 2011, $42,077 had been expended on these two projects. An additional 19 QRF-funded minority-centered projects valued at $1,204,895 were completed. More than $500,000 of that amount was expended this quarter on those projects.\footnote{Citing security reasons, U.S. Embassy-Baghdad declined to describe the nature or location of these projects.}
As of June 30, 2011, the United States had allocated $27.07 billion, obligated $25.66 billion, and expended $24.49 billion for programs and projects to develop the Iraqi Security Forces (ISF), and approximately 43,800 U.S. troops were operating in Iraq with the primary mission to advise, train, assist, and equip those forces.

Current Security Situation

The current security situation in Iraq is a challenge to gauge. Overall, violent attacks have dropped off significantly—from 145 per day in 2007 to just about 13 per day in the first four months of 2011, according to DoD. However, DoD reported that at least 248 Iraqi civilians and 193 ISF personnel were killed in attacks during April 1–June 19, 2011. Although much of the remaining violence continues to be the work of terrorist groups attempting to disrupt the GOI, DoD reported that violent crimes—such as armed robberies, assassinations, and kidnappings—are exacerbated by easy access to arms and ammunition, noting that these violent activities are not always related to terrorism.

Figure 4.8 provides a historical summary of security incidents and civilian deaths since 2004. Notwithstanding these long-term trends, a series of mass-casualty attacks this quarter underscored the tenuous nature of the overall security situation. On May 5, 2011, a suicide bomber drove his car into a police station in Hilla, killing 24 police officers and wounding 72 others. During the same month, a car bomb killed 9 and injured 27 near a popular market in Baghdad. Two days later, again in the city of Hilla, a bomb killed 15 people.

**Figure 4.8**


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*Note:* Data not audited. Totals for June 2011 civilian fatalities include data through June 19, and totals for June 2011 security incidents include data through June 17. “U.S. Surge” denotes period when at least 150,000 U.S. troops were in Iraq.

On July 5, 2011, just north of Baghdad, twin suicide attacks at Provincial Council offices and the site where national identification cards are issued in Taji killed at least 35 people and injured 60, making it the deadliest incident in more than six months. The UN reported increased levels of indirect-fire attacks against USF-I bases and the Baghdad International Airport this quarter. In April, five soldiers died in the line of fire, including two killed while conducting operations in southern Iraq. In June 2011, 14 soldiers were killed as a result of hostile attacks—the deadliest month for U.S. forces since April 2009, prior to their withdrawal from Iraq’s cities. In all, 21 U.S. soldiers were killed in action this quarter. The U.S. military reported that two more soldiers were killed on July 7 by a roadside bomb with armor-piercing projectiles outside the main U.S. base in Baghdad. These powerful bombs are the trademark of Iranian-backed Shia militias. Figure 4.9 shows monthly U.S. military fatalities per 20,000 servicemembers stationed in Iraq from January 2009 through June 2011.

Militant attacks against Iraqi targets this quarter were concentrated in Baghdad, where more than 40% of all incidents took place. The city has been the scene of more than three times the violence occurring in Mosul and Kirkuk, where a combined 23% of all Iraqi attacks took place. However, recent months have seen a slight improvement in security conditions in Mosul, where well-established terrorist organizations’ activities have been curbed in a slow war of attrition with the ISF. Kirkuk, on the other hand, has seen slightly worsening conditions, driven by tensions among different ethnic groups as they compete for influence in the historically contested, oil-rich city.

While the joint efforts between the United States and Iraq have succeeded in diminishing the threats posed by al-Qaeda and other terrorist groups, internal militias, and even basic crime, USF-I reported that threats from smaller, foreign militias have become cause for concern—the most prevalent being the Promised Day Brigades, Asaib Ahl al-Haq, and Hezbollah Brigades. This quarter also saw an increase in the number of rockets hitting the International Zone and the U.S. Embassy compound as well. On May 15, according to the UN, 11 rockets struck the International Zone—the highest one-day total in two years. Four more rockets struck on June 9. Whether they are trends or aberrations, these events remain cause for concern as the United States prepares to withdraw all military forces by December 31, 2011.

**Attacks on GOI Officials**

In May, USF-I’s Deputy Commanding General for Operations noted that the targeted killing of senior GOI officials has emerged as one of Iraq’s main security concerns, saying that the situation has
DEVELOPMENTS IN IRAQ

Figure 4.10


<table>
<thead>
<tr>
<th>Security Officials</th>
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<tbody>
<tr>
<td><strong>TARGETS/VICTIMS</strong></td>
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<tr>
<td>MOI lieutenant colonel</td>
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<tr>
<td>MOI colonel</td>
</tr>
<tr>
<td>Intelligence official</td>
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<tr>
<td>IA officer</td>
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<tr>
<td>MOD brigadier general</td>
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<tr>
<td>MOD lieutenant colonel</td>
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<td>Deputy police chief</td>
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<td>MOI lieutenant colonel</td>
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<td>Intelligence official</td>
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<tr>
<td>MOI major</td>
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<tr>
<td>District police chief</td>
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<tr>
<td>MOI official</td>
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<td>MOI colonel (forensics department)</td>
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<td>MOI emergency battalion commander</td>
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<tr>
<td>MOI officials</td>
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<td>MOD major general</td>
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<td>ISF colonel</td>
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<td>Police chief</td>
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<tr>
<td>ISF lieutenant colonel</td>
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<td>MOI lieutenant colonel</td>
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Note: This table provides examples of assassinations, attempted assassinations, and other small-scale acts of violence that appear to have been aimed at specific persons or groups this quarter. It does not purport to be all-inclusive, nor presume to imply the attackers’ respective motives.


grown more severe over the last six months. In an effort to counter this growing problem, USF-I is working with the GOI to assist in instructing Iraqi personnel on basic countermeasures, including surveillance-detection methods and procedures for inspecting vehicles for “sticky bombs.”

Figure 4.10 shows selected attacks on more than 70 senior GOI military and civilian personnel this quarter. Those attacked included prominent political figures, ISF general officers, and a provincial governor. On May 26, Ali al-Lami—the director of the Justice and Accountability Commission (formerly known as the De-Ba’athification Commission)—was shot and killed in eastern Baghdad. In late May, Atheel al-Nujaifi, the governor of Nineawa province,
According to information provided by the GOI-led Sons of Iraq (SOI) program as of June 15, at least 38 members had been killed in the line of duty this year (see Figure 4.11). Total attacks on personnel have dropped significantly in the last two years, but SOI members and their families continue to be reported by the GOI and in Iraqi media as victims of attack. According to USF-I, transition of SOI

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The governor of Ninewa has survived multiple assassination attempts since taking office.

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The governor of Ninewa has survived multiple assassination attempts since taking office.
Normally within 24 hours. An armed attack on the same refinery in February caused extensive damage and took repair crews three weeks to restore production to pre-attack levels. Plans to attack the same refinery in March were discovered by the ISF, which defused the threat.

In early June, the ISF reportedly defused four bombs that had been planted at the Doura refinery in Baghdad. On June 5, insurgents attacked and destroyed an oil storage tank in al-Zubair, southwest of Basrah. Bombs were reportedly placed at four such tanks in the attack; however, just one caused significant damage.

USF-I reported that there were eight attempts (four in Baghdad) to disrupt the electricity infrastructure through the use of explosive devices this quarter. Although six explosions resulted in damage to towers and lines, none of the attacks resulted in service interruption.

On July 12, 2011, Asiacell, the largest private Iraqi telecommunications company—and first mobile telecom company to provide coverage for all of Iraq—called for greater government protection of the company’s staff and communication towers after recently coming under attack by armed terrorist groups in Mosul and other areas. These attacks corresponded with information provided by the ISF on the terrorist groups’ intentions to destroy all Asiacell towers in Mosul.

Iraqi Security Forces

As of June 30, 2011, more than 800,000 security force personnel were serving in the MOD, MOI, and the Iraqi National Counter-Terrorism Force (see Table 4.2). More than 82,000 Facilities Protection Service (FPS) personnel were transitioned to the ranks of the Iraqi Police on January 1, 2011. As of June 5, 2011, 23,159 had graduated from the MOI’s Basic Recruit Training Course—a requirement for all transferring personnel. FPS has reported it is working on a plan to train 5,000–6,000 recruits every month.
The U.S. Iraq Training and Advisory Mission (ITAM) has been funding a wide range of training activities for the ISF—from mechanics training courses for wheeled equipment to an eight-week course to train and equip polygraph examiners within the MOD and MOI. Begun in 2008, ISFF-funded polygraph training produced examiners who could support the vetting process for new ministry hires. A new course begun this year is teaching four examiners to be certified instructors in polygraph techniques that can be used for both source vetting and as an investigative tool.364

Transforming the Iraqi Army into an Externally Focused Force

With the advent of the insurgency in 2003–2004, the United States abandoned its initial security plans, which called for a relatively small IA oriented toward border-defense missions. Instead, U.S. and GOI officials embarked on a multi-year program to recruit, train, equip, and deploy a robust IA capable of conducting aggressive counterinsurgency operations inside Iraq.365 As of June 30, 2011, the IA had a nominal strength of almost 200,000 soldiers—a force USF-I characterized as capable of maintaining domestic security with limited support from the U.S. military.366

As Table 4.2 illustrates, the Iraqi Police constitute the largest ISF force. Although, as USF-I reports, the police have increased their size and capabilities—and have replaced IA units as the lead...
USF-I Security-assistance Mission

Reflecting both the progress of the Iraqi forces and the threats that persist, USF-I executes three main tasks under Operation New Dawn:

- Advise, train, assist, and equip the Iraqi security forces.
- Partner in counterterrorism operations.
- Support and protect the civilian workers from the U.S. Mission-Iraq as it works to build civil capacity throughout the country.

While the ISF has made progress on all fronts of the mission, USF-I has reported that as U.S. forces prepare to leave Iraq at the end of the year, gaps in ISF capabilities exist.

Turning Over U.S. Projects

On June 6, 2011, the U.S. Army Corps of Engineers (USACE) completed construction of air defense systems at Ali Air Base in southern Iraq. According to USACE, this capability will play a critical part in the ability of Iraq’s Air Force to secure the borders against air attack. The $5.38 million air base was funded through the Foreign Military Sales (FMS) program and was begun in November 2009.

On April 27, a new Signals Platoon Maintenance Building officially opened at Camp Ur, near Nassiriya. According to USACE, which began construction of the $539,000 facility in December 2009, the new maintenance building provides a large workshop, spare parts storage, and air-conditioned offices that accommodate state-of-the-art equipment.

Foreign Military Sales

The modernization of the ISF is being facilitated through the FMS program. As of June 30, 2011, the GOI had committed to 387 FMS “cases”—29 for the MOI and the remainder for the MOD. The GOI has funded approximately 70% (nearly $7.6 billion) of the total value of the program and 64% of the nearly $2.2 billion in equipment and projects already delivered. See Table 4.3 for more details on FMS funding.

The total number of committed FMS cases increased by 13 this quarter. A significant number of cases involve FMS procurement of foreign-sourced equipment. To date, FMS cases not sourced in the United States are valued at approximately $514 million. Deliveries from U.S. and foreign sources this quarter include:

- 8 Mi-171E Helicopters
- 36 M1A1 Tanks
- 1 M109A5 Howitzer
- 40 M198 Howitzers
- 31 Heavy Equipment truck/trailers
- 16 Armored Security Vehicles

Table 4.3

<table>
<thead>
<tr>
<th>Total Cases</th>
<th>Value of Cases Obligated</th>
<th>Value of Cases Delivered</th>
</tr>
</thead>
<tbody>
<tr>
<td>GOI-funded</td>
<td>184</td>
<td>$6.2 billion</td>
</tr>
<tr>
<td>U.S.-funded</td>
<td>203</td>
<td>$2.5 billion</td>
</tr>
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Note: Numbers affected by rounding.

Source: OSD, response to SIGIR data call, 7/5/2011.

To date, FMS cases not sourced in the United States are valued at approximately $514 million.
As of June 30, 2011, the United States had obligated $2.38 billion and expended $2.12 billion to improve the rule of law in Iraq. U.S. advisors work with their GOI counterparts to formulate solutions to a diverse array of problems, including judicial security, financial corruption, and prison administration. Key ongoing programs focus on supporting the GOI’s judiciary, police, and anticorruption agencies. As the United States further normalizes its bilateral relations with Iraq, U.S. programs are increasingly prioritizing efforts to enhance indigenous Iraqi training capabilities and assist the GOI in improving its relations with international agencies capable of providing advanced law-enforcement and judicial mentoring.

U.S. Capacity-development Programs

U.S. Embassy-Baghdad’s Office of the Rule of Law Coordinator (RoLC) administers ongoing U.S.-funded efforts to improve Iraq’s judicial institutions. Activities this quarter included:

- continued progress on the Basrah Pilot Court, a $286,449 project funded by the Commander’s Emergency Response Program (CERP) to collocate newly trained judicial investigators with investigative judges in a 10,000-square-foot space at Basrah’s main courthouse
- the first mixed-gender police training class at the Baghdad Police College
- completion of a three-week judicial security course conducted by the U.S. Marshals Service for 10 personnel from the Ministry of Justice (MOJ) and 5 from the MOI

The RoLC also worked with USF-I and the MOJ to coordinate the transfer to the GOI of the remaining detainees under U.S. control. This summer, the U.S. transferred about 200 detainees to GOI custody.

Additionally, due to the closure of the PRTs and the need to establish and maintain relationships within the provinces, the Department of Justice’s (DoJ) Office of Overseas Prosecutorial Development and Assistance Training program will maintain a presence in the Embassy’s consulates and also in Baghdad. Moreover, DoJ’s Embassy presence will be reduced to reflect the increased emphasis on working with GOI rule-of-law institutions on combating international crime, money laundering, and terrorism.

U.S. Anticorruption Efforts

U.S. support for the GOI’s anticorruption efforts focuses mainly on the Commission of Integrity (COI). The Embassy’s Anti-Corruption Coordination Office operates under DoS’s Bureau of International Narcotics and Law Enforcement Affairs (INL/ACCO) and leads the U.S. effort to assist Iraq’s three main anticorruption entities—the COI, the inspectors general (IGs), and the Board of Supreme Audit (BSA). As of June 30, INL/ACCO was staffed by four DoS personnel and two local employees. Current plans call for it to have two DoS employees and four local employees by early 2012, as it transfers some of its functions to other Embassy sections.
Training Iraq’s Anticorruption Agencies
Since 2008, INL/ACCO has forged a close partnership with the United Nations (UN) to provide training and technical assistance to the GOI’s anticorruption institutions. It funds several UN-administered anticorruption programs for the COI and for IG offices via the Economic Support Fund (ESF), including:381
- $8 million for the UN Development Programme (UNDP) to help implement Iraq’s National Anti-Corruption Strategy for 2010–2014 (NACS)
- $6 million to the UNDP for training the Iraqi IGs (through a program scheduled to begin later this year)
- $2 million for the UN Office on Drugs and Crime (UNODC) to assist the COI in conducting financial investigations
- $2 million to UNODC for improving GOI capacity to recover stolen funds hidden in overseas bank accounts
INL/ACCO is also requesting about $1 million to train COI personnel on forensic investigative techniques using modern computer software. INL/ACCO maintains a liaison relationship with the BSA as well, but does not fund any programs to support it.382
The COI Deputy Commissioner is currently working with INL/ACCO personnel to build training relationships with the international community. To date, COI officials have held preliminary discussions with representatives from the EU, United Kingdom, Australia, Denmark, Spain, Germany, Sweden, and Italy regarding training programs that could be offered to the COI in the following areas:383
- anti-money-laundering protocols
- tracking of the cross-border movement of funds
- advanced financial investigative techniques
- international law
- asset recovery

In meetings with SIGIR this quarter, both INL/ACCO and COI officials strongly emphasized the need to train GOI anticorruption personnel in modern anti-money-laundering techniques. This quarter, DoS reported that U.S. advisors attached to the Department of Treasury had trained 20 employees from the Central Bank of Iraq (CBI) on compiling suspicious activity reports and detecting counterfeit currency. In collaboration with the BSA, the COI is also looking to enhance its ability to investigate cases of alleged money laundering.384

ICITAP Investigative Capacity-development Program
Since 2004, DoJ’s International Criminal Investigative Training Assistance Program (ICITAP) has operated an INL-funded program to train and mentor COI investigators. As of March 2011, INL had provided more than $15 million in funding for this effort, including purchasing more than $670,000 in surveillance equipment for the COI. As of June 2011, one INL-funded ICITAP advisor and one linguist were assisting the COI in Baghdad as part of this program, down from approximately 16 advisors and as many as 6 linguists during 2006–2008. The program is scheduled to conclude in mid-2012.
Recently completed programmatic activities include:385
- submitting to the COI Deputy Commissioner a management assessment identifying flaws with COI internal policies, including the lack of adequately articulated goals for departments and individual employees
- completing an investigative-prioritization model that, if implemented, would aid the COI in dedicating the appropriate amount of resources to cases involving senior GOI officials, large dollar amounts, or systemic instances of corruption
- monitoring the COI’s in-house training programs (the COI assumed full responsibility for all basic training from ICITAP in August 2010)
- collaborating with the Defense Criminal Investigative Service to deliver a procurement-fraud investigations seminar for 23 COI investigators
- obtaining approval from INL/ACCO for the Timooh (Arabic for “ambition”) English-language training program, the goal of which
**RULE OF LAW**

**Polygraph Training**

As part of an INL-funded initiative, ICITAP trained the 11-member COI polygraph unit, concluding its effort in May 2010. Since then, the COI polygraph unit has been operating independently. The graduates of this course became the first polygraph examiners in Iraq to possess internationally recognized certifications. In 2010, the COI conducted 256 polygraph examinations of COI and IG job applicants and active-duty personnel. For information on U.S.-funded polygraph programs for MOD and MOI, see the Security subsection of this Quarterly Report.

**Repealing Article 136(b)**

In June, after a multi-year effort led by the COI and its allies in the CoR, Article 136(b) of the Iraqi Criminal Procedure Code—which allowed ministers to immunize their subordinates—was finally repealed. The CoR voted to repeal Article 136(b) in mid-April, and the legislation became law when it was published in the *Official Gazette* on June 13, 2011.

**Other Anticorruption Legislative Activity**

Iraq’s *National Anti-Corruption Strategy for 2010–2014* charges GOI agencies with formulating plans to address 201 distinct problems involving the waste, fraud, or abuse of public funds. As part of its ongoing effort to implement the NACS, the COI has drafted a new anticorruption law that criminalizes types of conduct that are not considered illegal under the Iraqi Penal Code, including several types of conflicts of interest. The COI is also developing legislation to protect witnesses who cooperate with the government in criminal cases and a law to replace Coalition Provisional Authority (CPA) Order 93, which criminalizes money laundering.

In early May, the Secretary General of the CoM stated that new draft laws covering the anticorruption institutions include the establishment of specialized anticorruption courts. The CoM Secretary General noted that this step came as a result of joint efforts led by the COI to bring Iraq’s
GOI Anticorruption Activities

Major Corruption Developments
Recent developments in key corruption matters included:

- On April 24, the Ninewa criminal court sentenced the former chairman of the Ninewa Provincial Council to eight years in prison for a scheme involving the payment of salaries to “ghost employees.”
- The Diyala Criminal Court sentenced, in absentia, the province’s former deputy governor to eight years in prison for passing himself off as a law-school graduate—and thereby receiving a commensurately higher salary—when, in fact, the highest educational credential he had attained was a diploma from an agricultural high school.
- The director general who handled land registration at the Baghdad Amanat (mayoralty) was killed after returning to Baghdad. She had fled the capital after being repeatedly pressured by high-ranking officials to transfer deeds to politically connected individuals.
- In early May, the Rusafa Criminal Court sentenced a former Baghdad Amanat official to life in prison for embezzling millions of dollars in employee salaries. The COI has traced some of the stolen funds to overseas accounts and is currently working with the Lebanese and Jordanian governments to recover more than $5 million in stolen funds.
- In late May, the IG for the Ministry of Labor and Social Affairs stated he was investigating allegations that more than $15 million stolen from Ninewa province’s social-services network has been used to finance terrorism.
- In June, the Prime Minister ordered a judicial investigation into the activities of the Trade Bank of Iraq and its Chairman, Hussein al-Uzri, who immediately fled the country. The GOI said it planned to begin extradition proceedings. A British advisor to the bank, Claude Hankes, charged the move was politically motivated and came only after the bank refused to go along with GOI demands to carry out what he described as “improper banking transactions.” Al-Uzri declared he was prepared to cooperate with an investigation into the bank’s operations as long as an international auditor was involved.
- In late June, Ministry of Electricity (MOE) IG officials stated that an ongoing year-long investigation has uncovered a scheme by MOE personnel to steal diesel fuel destined for power stations. For more on the challenges facing the electricity sector, see the Public Services subsection of this Quarterly Report.

Iraqi Training Initiatives
Last fall, the GOI opened the National Anticorruption Academy in the International Zone. The Academy was originally intended to train representatives from all three GOI anticorruption agencies, but almost all students enrolled are from the COI. According to Iraqi officials, BSA and IG personnel rarely attend classes. COI personnel administer the Academy and teach most of the classes, and most of the curriculum focuses on English language instruction, Iraqi law, and basic management methods.

In his meeting with SIGIR this quarter, the Ministry of Interior Inspector General (MOI IG) expressed his desire for an independent IG training facility that would instruct both IG personnel and GOI procurement officials from the ministries. The MOI IG noted that the only training provided to most IG personnel is delivered by the BSA or Iraqi universities on an ad hoc basis. However, the MOI IG was skeptical that an IG academy could be established in the near future.

Commission of Integrity

Long-term Strategy
U.S.-supported training has helped make the COI a functional law-enforcement agency capable of investigating simple crimes committed by low-ranking government officials who lack powerful patrons willing to protect them. Going forward, the COI’s strategic goal is to increase its capacity to investigate more complex crimes perpetrated by high-ranking officials. Figure 4.12 illustrates how, by enhancing its investigative skills, the COI is attempting to transform itself into a law-enforcement agency capable of successfully working more cases involving high-level officials and sophisticated forms of criminal activity.

The COI’s strategic goal is to increase its capacity to investigate more complex crimes perpetrated by high-ranking officials.
Annual Report for 2010
This summer, the COI released its “Annual Report for 2010.” Overall, the report shows that the COI appears to be increasing the tempo of its investigative activities, but remains constrained by its inability to pursue allegations of corruption lodged against senior GOI officials. Figure 4.13 summarizes some of the key findings from the report.

Decline in Arrests Resulting from COI Investigations
The COI does not have the authority to arrest suspects. Under CPA Order 55, which continues to govern COI activities more than seven years after the conclusion of the CPA’s mission, all arrests must be made by an Iraqi police officer pursuant to a judicial warrant. In the first three months of 2011, 143 individuals were arrested as a result of investigative work performed by the COI—a 52% decline from the 293 arrested during the first three months of 2010:

44
2008
Q1
393
2010
Q1
143
2011
Q1

COI officials attributed this trend to the difficulty in tracking down fugitives who have either fled abroad or are being sheltered by friends and relatives.

Investigative Judges
During 2005–2010, one of the main problems faced by the GOI’s anticorruption agencies was the lack of a sufficient number of investigative judges (IJs) dedicated to hearing corruption cases. As the officials empowered to order arrests and forward cases to trial, the IJs occupy a pivotal role in the criminal justice system. In recent meetings with SIGIR, INL/ACCO and COI officials agreed that there are now an adequate number of IJs to handle corruption cases, noting that the increased capacity of the Rusafa Criminal Court has reduced much of the backlog. In the first three months of 2011, the COI referred 569 cases to IJs—an increase of 129% from the first three months of 2009.

FIGURE 4.12
COI INVESTIGATIVE CAPACITY VS. DESIRED EFFECT ON FUTURE CRIME TRENDS

COI Budgetary Constraints
To increase its investigative reach, the COI requested about $10.3 million in the 2011 budget to fund non-payroll expenses, such as support for active investigations and equipment and land purchases. Instead, the CoR cut this tranche of the COI budget for 2011 by 41%—from approximately $10.4 million in 2010 to about $6.1 million this year. The GOI also reduced the amount of funds available for COI...
DEVELOPMENTS IN IRAQ

Figure 4.13
COI SUMMARY OF PERFORMANCE, 2010

According to its “Annual Report for 2010,” the COI received 8,958 corruption allegations last year, 696 of which (8%) led to the filing of criminal charges. Other key indicators included:

- **Arrest warrants.** 4,225 arrest warrants were issued as a result of COI investigative work, including 57 for officials holding the rank of Director General (DG) or higher. Of these, 1,473 (35%) were served. Of the warrants issued, 57% were for alleged forgery.
- **Summons.** 4,082 individuals were summoned for questioning, including 190 officials holding the rank of DG or higher. Of these, 2,557 (63%) responded to the summons. Professional negligence was the subject of 44% of matters called to question (under Iraqi law, corruption encompasses actions that would be treated as workplace misconduct in the United States).
- **The three ministries with highest percentage of cases.** Of the 696 cases filed, 13% involved MOD employees, 7% MOI employees, and 6% employees from the Ministry of Municipalities and Public Works.

Percentage of Responding GOI Officials Reporting an Incident of Bribery by Province, 2010 vs. 2009

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<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
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<tbody>
<tr>
<td>Najaf</td>
<td>13.3</td>
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<tr>
<td>Thi-Qar</td>
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</tr>
<tr>
<td>Qadissiya</td>
<td>11.8</td>
<td>12.2</td>
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<tr>
<td>Babylon</td>
<td>10.0</td>
<td>24.2</td>
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<td>Basrah</td>
<td>9.7</td>
<td>42.2</td>
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<tr>
<td>Tameem</td>
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<td>Diyala</td>
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<tr>
<td>Kerbala</td>
<td>6.1</td>
<td>26.5</td>
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Persons Convicted of Corruption-related Crimes, 2004–2010

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<tbody>
<tr>
<td>Najaf</td>
<td>103</td>
<td>35</td>
<td>58</td>
<td>137</td>
<td>333</td>
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<tr>
<td>Thi-Qar</td>
<td>3</td>
<td>1</td>
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<td>Qadissiya</td>
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<td>2</td>
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<td>Babylon</td>
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<td>Basrah</td>
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<td>Tameem</td>
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<td>Diyala</td>
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<td>Kerbala</td>
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</tbody>
</table>

Length of Sentences for Individuals Convicted of Corruption-related Crimes, 2010

- **Fines**: 0–3 years 173, 3–5 years 92, 5+ years 412, Life 6
- **Suspects Referred to Investigative Judges**: 2010
  - Total: 82
  - Najaf: 105, Thi-Qar: 1, Qadissiya: 2, Babylon: 1, Basrah: 1, Tameem: 2, Diyala: 1, Kerbala: 1
  - 33 (41%): 2004–2006
  - 5 (6%): 2006–2008
  - 1 (1%): 2008–2010
  - 1 (1%): 2010

Note: COI is not active in the Kurdistan Region.

employee bonuses, making it more difficult for the agency to recruit and retain qualified staff. In a mid-May meeting, the COI’s budget director reported to SIGIR that he does not believe these cuts were punitive in nature but noted that, as a new organization, the COI needs more support than well-established entities like the BSA. The COI is pursuing several different alternatives to offset this funding shortfall, such as requesting permission from the Ministry of Planning to use leftover funds from 2010 and shifting some funds from its payroll account. If these solutions prove unsuccessful, the effects could be widespread.

This summer, the COI plans to inaugurate its new headquarters facility in the International Zone, but it does not have the funds to fully furnish and operate it. Moreover, the COI’s provincial offices lack sufficient funds to purchase land for new offices, acquire armored vehicles for investigators, and buy copy machines for reproducing case files. Currently, most investigators stationed in COI field offices rely on unarmored personal vehicles for work and resort to copying sensitive files on machines located in public marketplaces.

Financial Disclosure Laws
The COI is responsible for promulgating government-wide financial disclosure regulations. However, because there is no penalty for providing incorrect information—other than being required to amend the financial disclosure forms—the data provided to the COI has not resulted in the opening of any significant criminal cases. Figure 4.14 summarizes the 2010 financial-disclosure response rates for senior GOI officials.

Inspectors General
Iraq’s system of ministerial IGs is the first of its kind in the region. As such, Iraqi IGs face a unique set of challenges, including:
- **Maintaining their independence.** CPA Order 57 states that IGs are independent of their ministers, but preserving this autonomy has been a constant challenge.
- **Clarifying their responsibilities under the law.** For the past several years, elements within the IG community, led by the Ministry of Health IG, have lobbied the CoR to replace CPA Order 57 with a new IG law. According to the MOI IG, their efforts have been unsuccessful because they aimed to replace CPA Order 57 with an entirely new law, as opposed to simply amending it.
- **Conducting provincial oversight.** Most IG offices, like the COI, are Baghdad-centric organizations with limited provincial presences. This quarter, the Minister of Justice closed five provincial IG offices (Anbar, Ninewa, Babylon, Tameem, and Basrah). The reason behind his decision remains unclear, but U.S. officials speculate that it was either a cost-saving measure or an effort to assert control over the IGs.

Judicial Security
On June 9, Basim Taher, a civil court judge, was shot and killed while driving to his home in western Baghdad. According to the Higher Judicial Council (HJC), at least 47 judges have been assassinated since 2003. Cognizant of the ongoing threat to his judges and their families, Chief Justice Medhat emphasized in his May meeting with SIGIR the need
for improved judicial security. The Chief Justice stated that HJC personnel are performing almost all judicial security operations on their own and commented that the MOI remains an obstacle to obtaining weapon permits and additional security guards for judges. He also stated that one of his priorities remains the construction of additional secure judicial residences outside of Baghdad, highlighting the lack of support available to judges who are based in the provinces.

The Chief Justice stated that HJC personnel are performing almost all judicial security operations on their own.
Iraq’s economic growth accelerated this quarter, lifted by strong oil export revenues. The impact of multibillion-dollar renewal projects now underway in sectors such as housing, transportation, and electricity also contributed to a level of economic growth that is projected to be as high as 12.2% in 2011—well above the 2010 growth of 0.8% estimated by the International Monetary Fund (IMF).

However, the sheer pace of this growth—especially in the oil sector—has strained the capacity of the country’s physical infrastructure and added pressure to address bottlenecks caused by slow-moving government bureaucracy and decision making. Against this backdrop, the GOI is reevaluating its ambitious medium-term oil production targets.

For an overview of Iraq’s economy, see the Insert to this Quarterly Report.

### Key Economic Trends and Developments

The sale of crude oil is expected to generate more than 98% of the GOI’s total export earnings and provide 89% of total government income in 2011. The GOI received a post-2003 record of $20.11 billion in oil export receipts this quarter—$3.81 billion more than last quarter and 31% ahead of quarterly receipts anticipated in 2011 budget projections. Non-oil-sector economic activity also has shown signs of growth, with several multibillion-dollar infrastructure projects either launched or ready to launch. One mid-year analysis concluded foreign commercial activity was up sharply during the first half of 2011. With major spending now underway to rebuild the country, Iraq’s current account balance is likely to be in deficit for 2011. How Iraq’s current account balance compares with other Middle East oil-producing nations is shown in Figure 4.15.

Core inflation rose slightly this quarter, crossing 6% for the first time since 2009 to reach 6.3% in May. The increase reflects pressure from rising global commodity prices. Although now more than twice the 3% rate of a year ago, inflation is below the regional average of 10.9% and is expected to remain in the 6% range through 2012. Two other key indicators, the Iraqi dinar-U.S. dollar exchange rate and the Central Bank of Iraq (CBI) policy rate, were unchanged during the quarter. An IMF report on Iraq last quarter welcomed the GOI’s continued commitment to both sound fiscal and monetary policies and the independence of the CBI, but cautioned that the potential for political instability, uncertain security conditions, and delays in oil-field development all posed risks to Iraq’s economic revival.

Under terms of United Nations Security Council Resolution 1956, arrangements governing the use and oversight of the Development Fund for Iraq (DFI) ended on June 30. For details of the GOI’s successor arrangements see Section 2 of this Quarterly Report. For details of unaccounted-for DFI funds, see Section 1.
The GOI has pledged to continue efforts to settle Saddam-era foreign debts according to the terms of the November 2004 Paris Club agreement.424 The CoM this quarter approved the payment of $408 million in Egyptian private-sector debt under terms prescribed by the Paris Club.425 About $45 billion of Iraq’s existing external debt held by non-Paris Club member states is eligible for negotiated reduction under terms comparable to the Paris Club accord.426

Most of the $20.1 billion in outstanding war-related claims are owed to Kuwait.427 One claimant declared the lapse of UN immunity against seizure of Iraqi assets that ended along with the DFI arrangements on June 30 would bring an “open season” on Iraqi holdings. A lawyer for Kuwait Airways announced that the airline would seek enforcement of a British court ruling that Iraqi Airways illegally benefitted through its seizure of $1.2 billion in Kuwait Airways property at the time of the 1990 invasion. The attorney said the Kuwait air carrier would go after any available Iraqi assets, including oil tankers and oil cargoes.428

Oil and Gas

This quarter, Oil Minister Abdul Kareem al-Luaibi announced a new round of licensing, scheduled for January 2012, to develop more of Iraq’s untapped oil and gas reserves. As planned, it will be the GOI’s fourth licensing round since mid-2009 and offers 12 new blocks, the majority comprising vast areas of previously unexplored parts of northern, western, and southwestern Iraq. Seven of the blocks are expected to yield gas only. Details of the fourth licensing round are set out in Figure 4.16.429

The GOI this quarter worked on important draft legislation affecting Iraq’s oil and gas industry. The CoM’s Energy Committee sent the full cabinet the draft version of a hydrocarbons framework law, aimed at creating greater legal clarity for those involved in extracting the country’s oil and gas riches. A second draft law to create an Iraq National Oil Company is currently under discussion in the CoR. Draft legislation setting out a basic framework for the hydrocarbon sector was first approved four years ago by the CoM, but never enacted because of serious political differences—including those between the central government and the Kurdistan Region over the division of power between national and regional governments.430

Crude Oil Production and Field Development

Increased output from the large southern fields offset production drops in the Kirkuk area, keeping Iraq’s average daily oil production this quarter at 2.55 million barrels per day (MBPD), essentially unchanged from the previous quarter but 7% above the same period last year.431 By a margin of 0.12%, it marked the highest quarterly production volume recorded during the post-2003 period, yet was still below the GOI’s projected average crude oil production level for 2011 of 2.75 MBPD.432 Crude oil production in the Kurdistan Region, estimated to have been about 200,000–250,000 barrels per day

<table>
<thead>
<tr>
<th>Site</th>
<th>Area (Square Miles)</th>
<th>Hydrocarbon Expectations &amp; Possibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2,800</td>
<td>Gas</td>
</tr>
<tr>
<td>2</td>
<td>3,100</td>
<td>Gas</td>
</tr>
<tr>
<td>3</td>
<td>2,700</td>
<td>Gas</td>
</tr>
<tr>
<td>4</td>
<td>2,700</td>
<td>Gas</td>
</tr>
<tr>
<td>5</td>
<td>3,100</td>
<td>Gas</td>
</tr>
<tr>
<td>6</td>
<td>3,500</td>
<td>Gas</td>
</tr>
<tr>
<td>7</td>
<td>2,300</td>
<td>Oil</td>
</tr>
<tr>
<td>8</td>
<td>2,300</td>
<td>Gas</td>
</tr>
<tr>
<td>9</td>
<td>350</td>
<td>Oil</td>
</tr>
<tr>
<td>10</td>
<td>2,100</td>
<td>Oil</td>
</tr>
<tr>
<td>11</td>
<td>3,100</td>
<td>Oil</td>
</tr>
<tr>
<td>12</td>
<td>3,100</td>
<td>Oil</td>
</tr>
</tbody>
</table>

At the Halfaya field in southeastern Iraq, a China National Petroleum Corporation (CNPC)-led consortium increased initial output to 10,000 BPD on its way to a target of 70,000 BPD in the first quarter of 2012. Halfaya is considered a major field, projected to produce as much as 525,000 BPD. CNPC also brought on stream 60,000 BPD at the smaller al-Ahdab Field in Wasit province.438

Several other developments this quarter underscored the challenges of achieving the GOI’s production targets, including further evidence of crude oil infrastructure decay. In the large southern fields, according to one analysis made public this quarter, damaged pipes connected to production wells in al-Rumaila field caused losses that reached more than 2,000 BPD in February.439 At the Majnoon field, South Oil Company—together with operating partners Royal Dutch Shell and Petronas—awarded the Dodsal Group of Dubai a contract to replace an existing 28-inch-diameter pipeline with a 32-inch pipeline to transport crude oil 50 miles to storage facilities near al-Zubair.440 Operators in the south have contended with other issues, including decision-making...
bottlenecks that have slowed their operations. Labor and security issues this quarter also presented challenges. Only intervention by Basrah’s provincial governor averted work stoppages by South Oil Company workers angry about differences between their pay and that of those employed by international oil companies. A bombing of crude-oil storage tanks at al-Zubair also briefly interrupted production at the field, which is operated by an ENI-led consortium.

Against this backdrop, the Minister of Oil indicated in early June that the GOI was considering reappraising its previously stated goal of increasing crude oil production to more than 12 MBPD by 2017. Instead, he suggested that a plateau production target of 7–8 MBPD over a 13-year or 14-year period—nearly twice the time envisioned for the far higher peak levels—would be more feasible and economically more beneficial for Iraq. Lower peak volumes would require less ambitious infrastructure improvements and reduce the danger of flooding the market and depressing prices. The Chairman of BP suggested a target of 5–6 MBPD by the end of the decade was a more realistic projection, considering the condition of the physical infrastructure.

### Crude Oil Exports and Capacity Expansion

Exports of crude oil averaged 2.21 MBPD for the quarter, a post-2003 record that amounts to an increase of 2% over the previous quarter and 20% more than the same quarter in 2010. Exports from the Kurdistan Region, which ran an estimated 130,000–180,000 BPD during the quarter, helped fuel the increase. However, further substantial export growth is tied to expanding infrastructure. A single-point mooring station at ABOT is expected to add 900,000 BPD capacity when it is completed, currently estimated by the Ministry of Oil to be around the end of 2011. Additional mooring stations are scheduled to follow under a plan to raise southern export capacity from its current 1.7–1.8 MBPD to 5 MBPD by late 2013.

### Table 4.4

<table>
<thead>
<tr>
<th>Company</th>
<th>Meters Planned</th>
<th>Meters Installed as of 12/31/2010</th>
<th>Percentage Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exporting Companies</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Oil Company</td>
<td>137</td>
<td>44</td>
<td>32%</td>
</tr>
<tr>
<td>Missan Oil Company</td>
<td>65</td>
<td>32</td>
<td>49%</td>
</tr>
<tr>
<td>North Oil Company</td>
<td>188</td>
<td>86</td>
<td>46%</td>
</tr>
<tr>
<td><strong>Distributors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Middle Refineries Company</td>
<td>592</td>
<td>352</td>
<td>59%</td>
</tr>
<tr>
<td>North Gas Company</td>
<td>69</td>
<td>41</td>
<td>59%</td>
</tr>
<tr>
<td>Gas Filling Company</td>
<td>49</td>
<td>40</td>
<td>82%</td>
</tr>
<tr>
<td>Pipelines Company</td>
<td>410</td>
<td>379</td>
<td>92%</td>
</tr>
<tr>
<td>North Refineries Company</td>
<td>239</td>
<td>200</td>
<td>84%</td>
</tr>
<tr>
<td>Oil Products Distribution Company</td>
<td>2,992</td>
<td>695</td>
<td>23%</td>
</tr>
<tr>
<td>South Refineries Company</td>
<td>137</td>
<td>27</td>
<td>20%</td>
</tr>
<tr>
<td>South Gas Company</td>
<td>20</td>
<td>3</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,898</td>
<td>1,899</td>
<td>39%</td>
</tr>
</tbody>
</table>


### Oil Monitoring

Metering the flow of crude oil through pipelines from source to endpoint enables authorities to track volume accurately and also alerts them to possible illegal siphoning. So far, however, fewer than 1,900 of the planned 4,898 meters have been installed in Iraq since the step was first recommended by the International Advisory and Monitoring Board (IAMB) in 2004. An audit by PricewaterhouseCoopers LLC (PwC) showed that, as of December 31, 2010, only 52% of the meters planned for installation by that date were actually in place. During the final quarter of 2010, just 208 meters were installed. Table 4.4 shows the status of oil meter installation as of the end of 2010. On May 9, 2011, the IAMB expressed “concern that the implementation of the plan continues to fall further behind schedule” and urged the GOI to make every effort implement the plan. The PwC audit welcomed the Oil Ministry’s decision to hire an outside flow measurement specialist, the Scottish company Kelton Engineering, to provide technical assistance on the oil metering.
ECONOMY

Refineries and Petroleum Products
As shown in Table 4.5, Iraq's refineries produced more diesel fuel, gasoline, and liquefied petroleum gas (LPG) this quarter, compared with the same quarter in 2010, while kerosene production dropped.449 An explosion at the Baiji oil refinery in late June halted production of petroleum products briefly.450 Despite the production increases, imports increased for both diesel fuel and gasoline. A 900-metric-ton-per-day increase in LPG production more than covered a drop in imports of just over 130 metric tons per day. There were no reported kerosene imports during the quarter, even though domestic production dropped.451

As Iraq headed into the hottest months of the year, the Ministry of Electricity announced that it planned to import 1.5 million liters of fuel per day from Iran over the coming 12 months to burn in power plants.452

Natural Gas
The GOI entered into important natural gas deals with international operators this quarter, including a reported draft agreement with Royal Dutch Shell that could end the flaring of associated gas in three large southern oil fields. The Ministry of Oil issued a statement by GOI and Royal Dutch Shell representatives stating their intent to establish a jointly held company called the Basrah Gas Company, that would capture and process the natural gas. Collectively, up to 700 million cubic feet per day of gas is currently flared at the fields involved in the deal—al-Rumaila, West Qurna, and al-Zubair. Although the two sides first agreed to establish the company in 2008, the July 2011 announcement was seen as an important reaffirmation of commitment on the part of both sides to conclude long-stalled negotiations on a contract said to be worth $12 billion.453 On June 5, 2011, the GOI signed final contracts for the development of two natural gas fields—one with a group headed by Kuwait Energy Company to develop the Siba gas field in southern Iraq with an expected capacity of 100 million cubic feet per day (MCFD), and another with a Turkish National Oil and Gas Company (TPAO)-led consortium to develop the Mansuriya gas field in eastern Iraq, which has an estimated capacity of 320 MCFD.454

In May, Iraq entered into an enhanced strategic energy partnership with the European Union, in which the GOI agreed to explore possible exports of natural gas to the EU in return for a guaranteed market for Iraq's anticipated surplus of natural gas in the coming decades. The two sides are expected to begin negotiations later this year.455 The Iraq-EU agreement followed an announcement by the Nabucco Gas Pipeline International Company that it planned to begin construction in 2013 of a pipeline that would link Europe with the Middle East and Caspian regions.456

Pipelines
The GOI is also actively exploring several options to strengthen northern export routes, including two crude oil pipelines with a combined capacity.
of 2.75 MBPD to Syria’s Mediterranean coast that would be able to carry oil from Iraq’s southern fields. Iraqi and Syrian officials signed a second memorandum of understanding this quarter covering construction of the pipelines.457

In May, the Ministry of Oil awarded a $13.5 million management consultancy and engineering services contract to Canada’s SNC Lavalin to oversee the initial phase of a planned overhaul of Iraq’s pipeline network. The project would connect the northern and southern oil production areas with export routes. The initial phase includes a 1.75 MBPD pipeline connecting Basrah with a pumping station about 140 miles northwest of Baghdad. There, the pipeline would split, with one route carrying oil about 900 miles northwest to the Syrian Mediterranean port of Banias. A second pipeline would tie into the existing northern export route to the Turkish port of Ceyhan. Engineering work was scheduled to begin in June.458

The CoM this quarter approved a $365 million contract for a pipeline to carry natural gas from Iran to meet fuel needs for Iraq’s gas-fired power plants.459

Developments in Non-Hydrocarbon Areas

Non-oil Investment
In late April, the CoM agreed to a $37 billion program to upgrade the nation’s infrastructure, much of which is obsolete, decaying, or both. The program, which requires CoR approval before it can be implemented, would provide $10 billion for transportation and $5 billion each for education and agriculture (including irrigation).460 For a more detailed breakdown of the proposed infrastructure renewal program, see Table 4.6.

Led by major projects in transportation, housing, and electricity, non-oil investment is expected to grow substantially in 2011. Planned projects such as al-Faw port and a new regional airport to serve the central Iraq pilgrimage destinations of Kerbala, Najaf, and Hilla have helped make transportation an important sector for potential future investment.461

As discussed in the Public Services section, the Communications Ministry has embarked on a major upgrade of the country’s telephone system, including a $3.5 billion program to quadruple the number of fixed lines in the country from two million to eight million over the next five years.462 Since April 1, the Ministry of Electricity has signed at least six contracts, collectively valued at nearly $5.8 billion, for construction of new generating capacity.

Also this quarter, South Korea’s Hanwha Engineering & Construction signed an agreement with Syrian officials to build a pipeline to carry oil from Iraq’s southern fields to Syria’s Mediterranean coast.457

Table 4.6
Council of Ministers’ Spending Priorities in Proposed Infrastructure Program

<table>
<thead>
<tr>
<th>Sector</th>
<th>Estimated Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation</td>
<td>10.0</td>
</tr>
<tr>
<td>Education</td>
<td>5.0</td>
</tr>
<tr>
<td>Agriculture and Irrigation</td>
<td>5.0</td>
</tr>
<tr>
<td>Health</td>
<td>3.0</td>
</tr>
<tr>
<td>Higher Education and Scientific Research</td>
<td>2.0</td>
</tr>
<tr>
<td>Housing for the Poor</td>
<td>2.0</td>
</tr>
<tr>
<td>Secondary Roads</td>
<td>1.5</td>
</tr>
<tr>
<td>Other</td>
<td>8.5</td>
</tr>
<tr>
<td>Total</td>
<td>37.0</td>
</tr>
</tbody>
</table>

of cereal imports for the year ending June 30, 2011, dropped to 4.7 million tons, about 10% below the 5.2 million tons imported during the year ending June 30, 2010.\(^{467}\) Agricultural yields, invariably uneven, are expected to remain especially erratic in the years ahead without a large-scale investment program to revitalize both crop research and irrigation infrastructure.\(^{468}\)

### Inma

An audit of USAID’s agribusiness program, *Inma*, released by USAID’s Office of Inspector General (USAID OIG) this quarter cited a series of major contractor shortcomings. Included in these findings was a failure to measure or report performance results on two of the program’s four principal goals—to increase agricultural sector productivity and boost the value of available financial resources, such as agribusiness loans. USAID OIG found that the contractor also failed to adequately substantiate the results provided to meet the program’s two other main goals, generating new jobs and increasing sales of USAID-assisted enterprises. In addition, auditors found inadequate oversight had left $16.7 million susceptible to fraud. The report cited “several factors, foremost among them mismanagement.”\(^{469}\) USAID informed SIGIR that *Inma* has made “substantial progress” in addressing management shortcomings and that reporting deficiencies are being rectified.\(^{470}\)

### Financial Sector Developments

Restructuring Iraq’s banking sector remains an important prerequisite for greater private-sector growth. USAID’s Iraq Financial Development Program completed a draft of the first survey ever conducted of Iraq’s private banking sector this quarter. The 153-question survey was distributed to 29 private banks, and its results are expected to provide insights into the ability of these lending institutions to help finance the growth of private enterprise. Strong banks are needed to expand private-sector business and broaden the economy beyond oil. The banking sector is currently dominated by

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*The renovated al-Rasheed Hotel reopened in July. (GOI photo)*

Auditors found inadequate oversight had left $16.7 million susceptible to fraud.
two state-owned banks whose balance sheets are saddled with Saddam-era debt. Among the survey’s preliminary findings: only 1.4% of all Iraqis hold a deposit account at privately owned banks, and even fewer borrow from these banks.471

**Trade Bank of Iraq**

The head of the Trade Bank of Iraq (TBI) was removed suddenly in early June, following an apparent clash with Prime Minister al-Maliki. The Prime Minister accused the bank’s chairman, Hussein al-Uzri, of “financial violations” that could include corruption and also announced a judicial investigation into possible wrongdoing.472 Al-Maliki appointed Hamida al-Jaf, an executive from the state-owned Rafidain Bank, as the new TBI head. Following the change in leadership, the bank was operating normally.473 In a banking sector that has struggled to comply with international standards, the TBI connected quickly with the outside world after its founding in 2003. It has established a network of corresponding banks in 39 countries, was the first Iraqi bank to issue Visa credit cards, and began working with MasterCard in 2011. By mid-2011, it had established 15 domestic branches—all of them with automatic teller machines.474 For a comparison of how the banking and capital market environment influences the investment climate in selected Middle East countries, see Figure 4.18.

**U.S. Assistance to the Banking Sector**

The CBI and USAID this quarter agreed on a memorandum of understanding to create the Iraq Payment System—a central payment system for Iraq’s banks that will include mobile telephone and Internet technologies. USAID’s Iraq Financial Sector Development Program will be assisting development of the system, which is expected to add flexibility—and potential customers—to a banking network that has struggled to do either since 2003. USAID will develop legal, regulatory, and technical recommendations for the CBI. The system would enable Iraqis to open an account, transfer funds between banks, withdraw funds, or make payments—all by mobile telephones or remote computers. In a nation where two-thirds of all adults own cell phones, but only one-fifth have bank accounts, authorities hope the initiative will expand use of banks and wean Iraqis from their penchant for cash-only transactions.475

The Iraq Financial Sector Development Program reported progress in three other areas, as well.476

- concluding the initial phase of an effort to establish a national banking association to advocate for the industry
- building support among the larger private banks to establish a Bank Training Institute to improve the level of employee technical skills
- selecting United Arab Emirates University to conduct an analysis of technical knowledge gaps that could be filled by an advanced-degree university program

This quarter, USAID’s Provincial Economic Growth Program, Tijara, conducted a series of small- and medium-enterprise lending workshops for bank loan officers, which covered such issues as marketing, profitability, and the handling of

![Figure 4.18](http://apicorp-arabia.com/html/cms/media/pdf/research/Commentary_V_6_N_4_2011.pdf), accessed 7/21/2011.)
overdue loans. Microfinance institutions supported by the Tijara program financed more than 8,000 new loans this quarter, valued at $20.4 million.477

SOE Reform

Individual ministries are looking at restructuring state-owned enterprises (SOEs) under their control following the CoM’s approval last quarter of a road map to restructure the country’s 170-plus SOEs to make them more competitive. About 75 of them are controlled by one ministry—the Ministry of Industry and Minerals (MIM)—which has focused on efforts to attract private capital and build joint-ventures to strengthen those enterprises already viewed as profitable. Steps taken over the past half year have lifted the number of MIM-controlled SOEs considered commercially viable from 6 to 14, according to the minister, Ahmed al-Karbouli. In the process, the MIM has become the lead GOI agency in testing the public-private partnerships that form a key dimension of the government’s restructuring road map. Enterprises the minister believes hold the greatest potential include those producing phosphate, fertilizers, pharmaceuticals, cement, and petrochemicals. If these joint-ventures succeed in creating new jobs and new wealth, al-Karbouli suggests political support can build for new laws needed for a broader privatization of Iraq’s economy to succeed.478

But the challenges in industry are formidable, including obsolete factories, over-employment, insufficient raw materials, outdated technologies, and sporadic electricity supplies. On July 1, 2011, McKinsey & Company signed a $3 million contract to assist the MIM in developing the type of public-private business partnership envisioned in the GOI’s plan to make its SOEs competitive.479

Trade Developments

After a two-year decline, U.S. exports to Iraq have shown new signs of growth in 2011. During the first five months of the year, the value of American goods shipped to Iraq totaled $1.17 billion, an increase of nearly 60% over the same period of 2010 and the strongest five-month performance going back at least through the mid-1970s for American exports to Iraq. Despite this growth, the overall trade relationship between the two countries is dominated by Iraqi oil exports to the United States. This imports registered over $5 billion for the first five months of 2011 and totaled more than $12 billion in 2010.480 Figure 4.19 shows U.S. exports to Iraq since 2008.

A trade mission with representatives of six U.S. companies spent a week in Iraq this quarter, making stops in Baghdad and Basrah to learn more about possible commercial opportunities. The mission was sponsored by the U.S. Chamber of Commerce as part of its Iraq Business Initiative. During the trip, the chamber announced formation of an American Business Council of Iraq, based in Baghdad, with goals to enhance American-Iraqi economic cooperation and support U.S. businesses operating in the country. The trip was initially scheduled for the fall of 2010, but was twice delayed. It occurred as a growing number of European and Asian-based companies have established themselves in Iraq over the past year by taking stakes in multibillion-dollar infrastructure projects.481
Dissatisfaction with public services remains high throughout Iraq. In its most recent assessment of how susceptible each province is to civil unrest, U.S. Embassy-Baghdad found that 2 of Iraq’s 18 provinces were considered “moderately unstable” in the category of public services, and the other 16 were rated “very unstable” (see Figure 4.20). Nearly all metrics used to determine this rating—such as access to potable water, sewerage, electricity, and quality of roads—were deemed “very unstable” in almost all provinces. A recent survey of residents in Diyala was consistent with these findings: at least two-thirds of the respondents expressed dissatisfaction with cleanliness, health care, education, public works, and availability of fuel and electric power.

Electricity

As of June 30, 2011, the United States had obligated $5.07 billion and expended $4.98 billion to improve Iraq’s generation, transmission, and distribution of electricity.

The CoR-approved GOI budget for 2011 allocates more than $4.23 billion to the Ministry of Electricity (MOE). Of that total, almost $1 billion is for the purchase of imported energy—$486 million for imported electricity and $513 million for imported fuel to burn at power plants—and almost $3.20 billion is for capital projects. On June 12, the CoM approved an additional $927 million for the capital budget to finance construction of new generating capacity and other electricity infrastructure projects. This brings the MOE’s 2011 capital budget to more than $4.12 billion, 18% more than its 2010 capital budget of $3.49 billion. The U.S.-funded Iraq Electricity Masterplan, which is now serving as an internal MOE planning document, estimates that almost $77 billion in capital investments will be required over the next 20 years to close the current supply-demand gap and keep it closed.

Supply and Demand

Iraq’s estimated demand for electricity this quarter averaged about 275,600 megawatt-hours (MWh) per day, or 11,484 MW—a 1% increase from last quarter, but 22% above demand during the same quarter in 2010. Following the pattern of previous April–June reporting periods, estimated demand climbed along with rising temperatures each month. Averaging 13,294 MW, June 2011 set a new record for monthly electricity demand, and, as of the middle of the month, July was on track to break that record.

The total supply of electricity on Iraq’s grid this quarter averaged 6,574 MW, just enough to achieve a new record high. Although the MOE has been actively announcing and implementing plans to increase generating capacity, the country’s total supply on the grid has changed little over the past two years, and GOI officials have been cautioning...
Iraqis that the situation is unlikely to improve before 2012. This quarter’s supply represented a less than 3% (171 MW) increase from last quarter, a 6% (372 MW) increase from the same quarter last year, and a 0.5% (34 MW) increase from the previous record set in the July–September quarter of 2010.489

Expanded generating capacity in privately owned and operated power plants—namely, the three combustion turbine plants in the Kurdistan Region and the two diesel powerships in Basrah—was the primary factor behind the supply increase over the past year. Together, these plants produced an average of more than 1,400 MW this quarter, twice what they produced during the same quarter in 2010. This additional generation from private plants was partially offset by decreased output at government-operated plants and reduced imports.490

A surge in power generation at Mosul Dam contributed the most to this quarter’s production increase relative to last quarter. Because of low water levels, the dam’s turbines were idle for much of the January–March period, and their total output averaged 15 MW. This quarter, according to MOE data, the dam produced an average of 361 MW—an increase of more than 2,200%.491

For quarterly averages of supply and estimated demand since January 2004, see Figure 4.21.

**Expansion of Generating Capacity**

**GE Mega Deal Plants**

Almost two-and-a-half years after the MOE entered into the “Mega Deal” with General Electric (GE) to purchase 56 combustion turbines—each with a nameplate capacity of 125 MW—ground was broken this quarter for the first projects that will use these turbines:

- On May 8, Deputy Prime Minister for Energy al-Shahristani laid the foundation stone for the 1,250 MW al-Qaryat power plant in Kerbala. Çalık Enerji of Turkey was contracted to build the plant for a total cost of $445.5 million. The plant will have 10 generating units, and the MOE expects some of these units to be operational in 2012 and all of them to be in service by mid-2013.492
- On May 15, South Korea’s Hyundai Engineering & Construction started work on a $219 million project to add four turbines to the Qudas power plant in Baghdad. Completion of the project, which the MOE expects to take 18 months, will expand the plant’s nameplate generating capacity from about 900 MW to 1,400 MW.493
- On May 22, Çalık Enerji and the MOE held the groundbreaking ceremony for the 750 MW

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**Figure 4.21**

**Average Iraqi Electricity Supply and Estimated Demand, by Quarter, 1/2004–6/2011**

**MW**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Supply</th>
<th>Power-plant Production</th>
<th>Imports</th>
<th>Estimated Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>2005</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>2006</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>2007</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>2008</td>
<td>2,000</td>
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<td>2009</td>
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<tr>
<td>2010</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>2011</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
</tr>
</tbody>
</table>

Division of Power

The aggregated data for electricity supply and demand in Iraq masks the differences in trends inside and outside of the Kurdistan Region. The KRG’s Ministry of Electricity (KRG-MOE) operates a power transmission and distribution network that serves Erbil, Dahuk, and Sulaymaniyah, while the GOI’s MOE controls the grid that serves Iraq’s 15 other provinces. The two grids are not connected.\textsuperscript{494}

Electricity in the Kurdistan Region is supplied by five power plants: three combustion turbine plants owned and operated by independent power producer Mass Global and two hydroelectric plants run by the KRG. These five plants have a combined feasible generating capacity of 2,094 MW and produced, on average, 1,302 MW this quarter (62% of capacity). The three privately owned plants started coming online in 2008 and accounted for almost 96% of the region’s total supply this quarter. Electricity imports from a Kartet power plant in Turkey ended in January 2011.\textsuperscript{495}

In the rest of Iraq, about 85% of the electricity is generated at mostly older, MOE-operated power plants, and 3% is produced by the privately owned power plants in Basrah. Together, the feasible capacity of these plants is 9,980 MW, and their average output this quarter was 4,624 MW (46% of capacity). Imports from Iran provided the remaining 12% of supply on the MOE-controlled grid.\textsuperscript{496}

The picture became more complicated late this quarter when the province of Tameem (Kirkuk) began purchasing power from one of Mass Global’s plants. In announcing these exports from the Kurdistan Region, KRG President Massoud Barzani said they were intended to help Tameem during the summer and would continue until the GOI “returns all these areas to the Kurdistan Region.”\textsuperscript{497} During the last eight days of the month, these imports averaged 85 MW.\textsuperscript{498} Although this electricity is being used outside of the area controlled by the KRG, it does not actually enter the MOE grid.\textsuperscript{499}

As shown in Table 4.7, while the grid supply for the country as a whole increased by 6% from the April–June 2010 quarter to the same quarter this year, it increased by 30% in the Kurdistan Region and by 1% in the rest of Iraq.\textsuperscript{500}

<table>
<thead>
<tr>
<th>Area of Iraq</th>
<th>Average Supply, in MW, during April–June Quarters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-KRG Provinces</td>
<td>KRG Provinces</td>
</tr>
<tr>
<td>Government Power Plants</td>
<td>4,589</td>
</tr>
<tr>
<td>Private Power Plants</td>
<td>21</td>
</tr>
<tr>
<td>Net Imports\textsuperscript{a}</td>
<td>596</td>
</tr>
<tr>
<td>Total Supply</td>
<td>5,206</td>
</tr>
</tbody>
</table>

\textsuperscript{a} Net imports include the electricity (averaging 7.5 MW over the entire quarter) that was exported from the Kurdistan Region to Tameem; this electricity did not become part of the MOE-controlled grid.

al-Qayarah power plant in Ninewa province.

The MOE expects this $388 million project to be completed by early 2013.

Once completed, these three engineering, procurement, and construction (EPC) projects will add 2,500 MW of nameplate capacity to Iraq’s national grid.

Two other GE Mega Deal EPC projects moved closer to the construction phase this quarter. On June 20, the MOE signed an $81.3 million contract with Lanco Infratech of India for construction of the 250 MW Akkas plant in Anbar, and on July 7, it awarded a $130 million contract to Baghdad Company to build the 500 MW Haydariya plant in Najaf.

The MOE received bids in February for four other GE Mega Deal projects that it planned to award to independent power producers, but the CoM canceled these projects on May 24. The MOE then converted them to EPC projects, and bids are due during the first 10 days of August.

**Other Major Power-plant Projects**

On April 25, the MOE signed a $1 billion contract with China’s Shanghai Electric Group to almost double the planned capacity of al-Zubaidiya thermal plant in Wasit. In May 2010, Shanghai Electric began construction of the first phase of the project, a $924 million effort to install 1,320 MW of nameplate capacity. The second phase, scheduled for completion in 2014, will add two 610 MW generating units and bring the plant’s total nameplate capacity to 2,540 MW.

Also this quarter, Iran Power & Water Equipment and Services Export Company (Sunir) completed construction of the first phase of al-Sadr power plant in Baghdad’s Sadr City. The project, which began in March 2009, was completed on schedule at a cost of about $225 million. The plant has two 160 MW Siemens combustion turbines, the first of which was connected to the grid for a test run in April. The MOE anticipates adding two more 160 MW generating units to the plant, which would bring the total nameplate capacity to 640 MW.

U.S. Embassy-Baghdad reports that the MOE has canceled al-Qaryat thermal plant, which it had planned to build in Kerbala.

**Fuel Availability Issues**

Because natural gas is unavailable to the new al-Sadr plant, it is set up to use diesel fuel. But trucking the needed quantity of fuel—about 2 million liters (more than 500,000 gallons) each day—to the site in northeast Baghdad apparently has proven to be a challenge. Although the plant’s current capacity is 320 MW, its average production in June was 42 MW; for the quarter, it was 20 MW.

To overcome this fuel-availability problem, the MOE signed a $365 million contract on June 30 under which ECG Iran would build a 140-mile-long pipeline to transport natural gas from Iran, through Diyala province, to Baghdad. According to the MOE, the proposed pipeline would serve the Qudas and al-Sadr power plants, and it would provide 25 million cubic meters (almost 900 million cubic feet) per day for five years—enough gas to generate 2,500 MW.

In an apparent move to provide an interim solution for al-Sadr plant, the MOE announced on June 23 that it had signed a one-year contract to purchase 1.5 million liters (almost 400,000 gallons) per day of diesel fuel from Iran’s Oil Ministry. The MOE said that Iranian tanker trucks would deliver the fuel and that the volume would be sufficient to generate up to 250 MW of power.

The MOE Inspector General has voiced concern that large quantities of diesel fuel en route to power plants are being stolen each month as a result of collusion between trucking contractors and MOE employees. According to the MOE IG, his office has uncovered the theft of fuel from hundreds of fully loaded tanker trucks in Baghdad, Basrah, Baiji, Samarra, and other areas. He estimates that the illegal diversion of fuel has reduced daily electricity production in Iraq by as much as 400 MW, or about 6% of total supply.
Emergency Measures To Increase Electricity Supplies

Most of the large-scale new generating capacity now being developed is not scheduled to come online until 2013–2015 and will not help Iraq close the supply-demand gap this year or next. The GOI therefore is implementing several emergency measures to increase the availability of electric power.

As described in SIGIR’s April 2011 Quarterly Report, the MOE announced in March an expedited program to complete 50 new 100 MW diesel plants by the middle of next year. Since then, the MOE scaled this program down to 40 plants, and it has entered into contracts for all 4,000 MW of new capacity:

- On May 18, the MOE signed a $2.77 billion contract with STX Heavy Industries of South Korea to build 25 plants. But according to U.S. Embassy-Baghdad, the contract is now on hold because STX has objected to some of its terms.
- On July 2, the MOE entered into a $1.17 billion contract with Canadian Alliance for Power Generation Equipment (Capgent) for construction of 10 plants.
- On July 6, it signed a $625 million contract with a German company to build five more plants.

To make more off-grid electric power available to consumers this summer, the CoM on May 24 approved a plan to provide a limited quantity of free fuel to owners of government and private generators as long as those providers supplied at least 12 hours of electricity per day at reasonable prices. In doing so, the GOI acknowledged the difficulty it was having supplying consumers via the national grid.

Implementation of the plan began on June 1, and the MOE estimates that it could enable consumers to get up to 20 hours of power per day—12 hours from neighborhood generators and 8 hours from the national grid.

KRG Expansion Plans

On July 7, the KRG’s Ministry of Electricity announced its intention to add 6,000 MW of generating capacity, as well as a new 400 kilovolt (kV) network, to the Kurdistan Region’s power system. The new plants would operate on natural gas, heavy fuel oil, and hydropower. The KRG-MOE said it was seeking qualified investors to design, supply, construct, commission, operate, and maintain the new power plants at various locations within the region.

Recently Completed and Ongoing U.S.-funded Projects

The U.S. Army Corps of Engineers (USACE) reported that it completed six electricity projects, with a total value of $42.6 million, this quarter. These included the last remaining electricity project funded by the IRRF: construction of the $29.1 million substation in Ramadi. Three of the other completed contracts used $11.6 million from the ESF for equipment purchases. According to USACE, it also had
Iraq’s Minister of Transportation announced plans to solicit bids to construct a multibillion-dollar deep-water port along al-Faw peninsula.

Transportation

Ports
This quarter, Iraq’s Minister of Transportation announced plans to solicit bids by the end of the year to construct a multibillion-dollar deep-water port along al-Faw peninsula in Basrah province. In April 2010, the minister held a cornerstone-laying ceremony to inaugurate plans to build the port, which Iraqis envision as a critical seaport hub for a “dry canal”—a network of railways and roads that they hope will compete with the Suez Canal in the transportation of goods to Europe. The Italian firm Tecnital won the contract to create the port designs, which will provide for multiple docks and jetties, a wheat silo, helicopter landing strips, water-treatment units, and security surveillance systems.

However, a cornerstone-laying ceremony held this quarter for a Kuwaiti port project on Bubiyan Island rankled Iraqi leaders, who claimed the port would affect the economic and navigational interests of Iraq due to its potential to impede sea travel to the Umm Qasr and al-Zubair Ports and to reduce commercial traffic at al-Faw Port. Iraqi officials traveled to Kuwait to discuss plans for the competing port. Figure 4.23 displays the geographical proximity of al-Faw and Umm Qasr Ports to Bubiyan Island.

Meanwhile, efforts continued this quarter to establish Iraq’s presence in the international maritime community, with Iraqi and U.S. Coast Guard officials attending a conference in London to advance Iraq’s implementation of and compliance with international maritime conventions and regulations. The delegation also sought to conduct a port survey to establish security procedures at Iraqi ports and to train trainers.

Aviation
USF-I reported this quarter that the Iraqi Civil Aviation Authority (ICAA) has more than 100 Iraqi air-traffic controllers at various stages of hire, training, or certification. In June 2011, Iraq assumed control over all airspace in the southern third of the country. Elsewhere, the ICAA controls airspace at 15,000 feet and above, and is expected to assume full control of airspace in the northern third of the country in August and in the central third by October of this year.

USF-I reported that it maintained a presence this quarter at Baghdad, Basrah, and Mosul.
International Airports. It expected to end its mission at the Baghdad and Mosul airports in October and at the Basrah airport in December. According to USF-I, the Basrah and Baghdad airport transitions were progressing well, but the transition at Mosul airport was impeded because the ICAA had a limited presence at the airport and did not have qualified technicians or air-traffic controllers there.526

Iraq continued this quarter to expand the number of airlines flying commercial flights to Baghdad and other Iraqi cities. Austrian Air arrived in Baghdad on June 8, and the airline announced plans to operate three flights per week between Vienna and Baghdad.527 In June, Iraqi and Turkish civil aviation authorities signed an agreement to increase flights and launch new flight destinations between the two countries; in July, Turkish Airlines flew its first direct flight between Istanbul and Najaf.528 A similar bilateral agreement was signed this quarter to pave the way for direct flights between Iraq and Italy.529

Railroads
This quarter, the U.S. Department of Transportation (DOT) and its Volpe National Transportation Systems Center completed a $3.7 million project to train Iraqi railway employees to operate and maintain the railways’ Digital Microwave Radio Communication Network. The training was part of a $48.1 million project to create a digital communications system that will be used to operate Iraq’s railroads.530

Road Construction
USACE reported that construction of two road projects was ongoing this quarter. The first is the ESF-funded $4.1 million al-Amarah–al-Maymunah Carriageway, scheduled for completion in August 2011, which will be a two-lane highway roughly 14 miles long with three bridges.531 The second project is a $2.1 million IRRF-funded effort to replace the bridges for a future two-lane highway adjacent to the existing al-Amarah–al-Maymunah Carriageway.532 It is also slated for completion in August 2011.533

Water and Sanitation
As of June 30, 2011, the United States had obligated $2.65 billion and expended $2.57 billion to rehabilitate Iraq’s water and sanitation sectors.534 The U.S. Army Corps of Engineers (USACE) reported that it had completed 11 water and sanitation projects this quarter at a combined cost of $27 million.535 Of these projects, 10 were funded by the ESF, and one was funded by the IRRF. Al-Kibla Sewer and Storm Network was the largest—an $11.1 million ESF-funded project in Basrah province to design and construct a sanitary sewer and storm-water collection system. The network includes pump stations, force mains, manholes, inlets, and individual house connections.536

USACE reported this quarter that it had completed the “backbone” of the long-awaited Falluja Waste Water Treatment Plant and Collection System, a $100 million effort comprising multiple smaller projects to develop a waste water treatment plant and collection system for the city of Falluja in Anbar province. The treatment plant, along with primary collection mains and pumping stations, has been completed, but connections to houses are still ongoing. A $7.6 million U.S. government grant to the Ministry of Municipalities and Public Works, coupled with an $85 million GOI construction project, is intended to complete the collection system for the entire city of Falluja by 2014. According to U.S. Embassy-Baghdad, there are...
PUBLIC SERVICES

communications, and high-speed Internet service for the Baghdad area. Completed nearly five years after its originally forecasted completion date of December 2006, the project suffered from sabotage and contracting problems and was re-awarded in 2009.539

DoS reported this quarter that Iraq's telecommunications sector is hindered by poor infrastructure, high operating costs, and policy differences between the MOC and the Communications and Media Commission (CMC).540 It remains unclear what roles the MOC and CMC play in the telecommunications industry. The CMC was created by Coalition Provisional Authority Order 65 as a communications regulator, but there is no corresponding Iraqi law establishing the MOC. The MOC has declared that all fiber optics laid in Iraq are owned by the GOI through its state-owned enterprise, the Iraqi Telecommunications and Post Company.541

After years of neglect and an absence of a mobile phone market prior to 2003, Iraq boasts one of the fastest growing cell phone markets in the region, with an estimated 23 million subscribers—AsiaCell, Zain, and Korek.542 Last quarter, the MOC announced plans to issue a fourth mobile phone license, to be auctioned by the end of 2011.543 However, companies complain of military jamming of mobile phone frequencies and high operating costs—as much as $700 per megabyte to operate local circuits, compared with $50 to $80 per megabyte in the United States and Europe.544

DoS reported that the use of landlines has also steadily risen in Iraq. Since 2003, an estimated 1.2 million homes and businesses have subscribed to landline service. Internet penetration has lagged behind, with only 3% of the homes or businesses having access to the Web.545 Iraq's Minister of Communications said this quarter that he intended to use $3.5 billion to quadruple the number of fixed-line phones from 2 million to 8 million in the next five years.546 DoS reported Iraqi plans to increase Internet usage by 25% over the next five years as well.547

Communications

This quarter, USACE reported the $18.3 million IRRF-funded al-Mamoon Exchange and Communications Center in Baghdad was completed and finally inspected prior to its turnover to the Ministry of Communications (MOC) on June 30, 2011. This seven-story office building will serve as a telecommunications hub for the MOC and is designed to house state-of-the-art equipment to improve radio transmissions, cellular and landline currently 4,500 homes connected to the treatment plant, with an additional 4,500 homes expected to be connected by the end of 2011.537

In addition to the grant for house connections in Falluja, USACE reported one other ongoing water project at the end of the quarter—the $1.3 million ESF-funded Rivers and Lakes Study that entails collecting water samples from the Shatt al-Arab waterway near Basrah, major lakes in Iraq, and 27 tributaries flowing into the Tigris River from Iran. The project is expected to be completed before the end of September 2011.538

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IDEALLY 13,400—NEW ELEMENTARY AND HIGH SCHOOLS
IMMEDIATELY AND ABOUT 600 NEW SCHOOLS ANNUALLY AFTER THAT TO ACCOMMODATE POPULATION GROWTH.

SINCE 2003, THE MINISTER ESTIMATES THERE HAVE BEEN 2,600 NEW SCHOOLS BUILT, INCLUDING 244Constructed by the MOE. At the end of 2010, USACE reported it had completed 1,166 construction projects in the education sector.

The Minister of Education emphasized additional education challenges: outdated curricula, underpaid and insufficiently trained teachers, high illiteracy, and low achievement among students. He said curricula date back to the 1970s and 1980s and characterized improvements made since then as “superficial.” He estimated that about 70% of Iraq’s 442,000 teachers lack proper training and noted that his ministry lacked the budget to execute plans to train 100,000 teachers per year. Iraq’s students, he said, need more discipline, better food, better tutoring, and more private-school options. He described Iraq’s illiteracy rates as “appalling.” In May, the CoR’s Education Committee released a statement estimating that the number of illiterates in Iraq had reached 5 million.

U.S.-FUNDED EDUCATION PROJECTS
USACE reported that the $940,000 ESF-funded Semel School in Dahuk province was completed this quarter. It also reported that construction of the $1.1 million ESF-funded Halabja school in Sulaymaniyah province and the $550,000 ESF-funded Nuaymia school in Anbar province was ongoing. Halabja was scheduled for completion in July 2011, and Nuaymia was slated for completion by October 2011.

HEALTH CARE
This quarter, USACE continued construction of the $12.6 million ESF-funded Missan Surgical Hospital, an 80-bed facility in Missan province, which is scheduled for completion in October 2011. The Basrah Children’s Hospital, a $165 million facility opened in October 2010, still does not have oncology services available, but USACE has begun to install donated medical equipment. Meanwhile, the $8 million Ba’quba General Hospital has been turned over to the GOI, and all essential services (including electricity) were hooked up this quarter. USACE also completed upgrades at the $3.5 million Ibn Sena Cardiac Center in Mosul.

EDUCATION
GOI EFFORTS TO IMPROVE EDUCATION
Iraqi officials focused this quarter on increasing both the number of schools in operation and the ability of its teaching staff to educate students. Overcrowding continues to be a major concern, as is the quality of teachers, according to Iraq’s Ministers of Education and Higher Education. While Iraq boasts 25 universities (including 6 in the Kurdistan Region) and 40 technical institutes, there is a shortage of space to accommodate incoming students. In some cases, 10 higher education students are vying for every 4 seats.

GOI officials noted a shortage of school building at the elementary and high school levels as well. In an interview with SIGIR, the Minister of Education estimated that Iraq needs more than 7,000—and ideally 13,400—new elementary and high schools immediately and about 600 new schools annually after that to accommodate population growth.

Since 2003, the minister estimates there have been 2,600 new schools built, including 244 constructed by the MOE. At the end of 2010, USACE reported it had completed 1,166 construction projects in the education sector. The Minister of Education emphasized additional education challenges: outdated curricula, underpaid and insufficiently trained teachers, high illiteracy, and low achievement among students. He said curricula date back to the 1970s and 1980s and characterized improvements made since then as “superficial.” He estimated that about 70% of Iraq’s 442,000 teachers lack proper training and noted that his ministry lacked the budget to execute plans to train 100,000 teachers per year. Iraq’s students, he said, need more discipline, better food, better tutoring, and more private-school options. He described Iraq’s illiteracy rates as “appalling.” In May, the CoR’s Education Committee released a statement estimating that the number of illiterates in Iraq had reached 5 million.

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