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**United States Department of State  
and the Broadcasting Board of Governors  
Office of Inspector General**

# **Report of Inspection**

## **Survey of Anticorruption Programs Embassy Baghdad, Iraq**

**Report Number ISP-IQO-06-50, August 2006**

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**TABLE OF CONTENTS**

KEY JUDGMENTS ..... 1

INTRODUCTION AND BACKGROUND..... 3

U.S. LEADERSHIP IN ANTICORRUPTION ..... 5

    Resources ..... 9

    Encouraging Non-U.S. Donors..... 10

IRAQI ENGAGEMENT - DESIGN, NOT BUY-IN ..... 13

ANTICORRUPTION INSTITUTIONS IN IMPERFECT COLLABORATION ..... 17

TRAINING ..... 21

    Commission on Public Integrity..... 21

    Inspectors General ..... 22

    Board of Supreme Audit..... 24

PUBLIC EDUCATION AND OUTREACH ..... 25

FORMAL RECOMMENDATIONS ..... 27

ABBREVIATIONS..... 29

APPENDIX A ..... 31

APPENDIX B ..... 33

## KEY JUDGMENTS

- An effective Iraqi anticorruption regime is basic to success for democracy and good governance in Iraq. Implanting integrity throughout Iraq's public institutions is a generational challenge. Engaging Iraqis to design an anti-corruption regime for the future is essential for success but is far from fully achieved. U.S. government and nongovernment personnel working on anticorruption are committed to this important goal but recognize it as long-term.
- Honest governance in organizations that are material to protecting Iraq's infrastructure, particularly the Ministries of Oil, Electricity, Defense, and Interior requires the most urgent attention.
- Embassy Baghdad's front office accords priority attention to anticorruption initiatives, but the delay in forming a new Iraqi government has limited the embassy's success in getting the concomitant political commitment from Iraqi leaders.
- The institutional framework for Iraqi anticorruption activities is in place, but it is fragile. Judicial prosecutions of corruption cases have been few. Improved collaboration among the three Iraqi public integrity institutions, and between them and the courts, is a priority.
- A recently energized embassy anticorruption working group chaired by the embassy's economic counselor has agreed upon a comprehensive strategy for U.S. anticorruption assistance to Iraq. The Ambassador and deputy chief of mission have delegated authority for this transformational exercise to the chairman. Under his direction, the interagency process for promoting public integrity is working reasonably well. The chairman's request for increased staffing to deal with the anticorruption effort is warranted and should be granted.

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- U.S. government funding, to date, directed specifically and solely toward anticorruption programs has been modest, amounting to under \$65 million. Despite the fact that attacking corruption is among the top U.S. priorities in Iraq, this amount represents less than .003 percent of total Iraq Relief and Reconstruction Fund funding. Non-U.S. donor funding has been even less robust.
- The embassy's anticorruption strategy identifies public education and outreach as important to the long-term success of the campaign against corruption in Iraq. The main players are civil society organizations, the government, and the media. Collaboration among U.S. program managers in these areas is episodic. More interagency cooperation, together with greater international support, will strengthen the program.
- Training for the staff of the civilian institutions working to protect public integrity has been ad hoc and uneven. The establishment of a training facility serving the needs of all these institutions is a priority. Differences of view on ownership, however, have divided both Iraqi principals and American consultants. Iraqi and U.S. officials must overcome their differences, whether actual or apparent, so that a training facility comes into being soon.

The survey took place in Washington, DC, between April 17 and May 7, 2006, and in Baghdad, Iraq, between May 7 and May 20, 2006. Ambassador Vincent M. Battle (team leader) and Andrea M. Leopold (deputy team leader) conducted the survey in collaboration with a Special Inspector General for Iraq Reconstruction (SIGIR) team that included Assistant Inspector General Joseph McDermott and auditors Robert Gabriel and Frank Gulla, Jr. SIGIR will issue a parallel audit report. The information in this document is current as of June 15, 2006.

## **INTRODUCTION AND BACKGROUND**

“Basic to the success of all U.S. hopes for democracy and good governance in Iraq is an effective anticorruption regime.” This was a key judgment of the Department of State’s Office of Inspector General’s (OIG) Inspection of Rule-of-Law Programs (OIG Rule-of-Law Report), ISP-IQO-06-01, which was published in October 2005. SIGIR, in its October 2005 Quarterly Report to the United States Congress, stated that “assisting Iraqi government institutions in their fight against corruption is an important U.S. policy objective.”

Corruption is widespread in Iraq; all objective indicators support this judgment. In a current survey, the Corruption Perception Index compiled by Transparency International, Iraq ranks as the 21st most corrupt country among the 158 countries surveyed.<sup>1</sup> The security and integrity of infrastructure in organizations that are material to Iraq’s stability, particularly the Ministries of Oil, Electricity, Defense, and Interior require the most urgent attention. In both these critical energy-related areas, infrastructure is threatened by sabotage, smuggling, theft, and the corruption that imperils Iraq’s stability. For example, in one year, Iraq reportedly lost more than \$2 billion in stolen gasoline and diesel supplies.<sup>2</sup>

Although getting watchdog institutions up-and-running to monitor the integrity of government entities is important, the key to success now is a political commitment among Iraqi leaders to address these issues. The embassy’s front office is working relentlessly to gain that commitment as a priority for the new government. Any strategy that ignores Iraqi realities and fails to accord primacy to Iraqi design will be destined to fail. The U.S. government and other donors can help, but public integrity must be an Iraqi commitment.

Once the political commitment exists, there is need for mechanisms that ensure compliance. What is Iraq’s institutional framework?

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<sup>1</sup>Transparency International, Global Corruption Report 2005.

<sup>2</sup>Testimony presented to the Senate Foreign Relations Committee on July 20, 2005, by Mr. Keith Crane, Senior Economist, Rand Corporation.

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Since the start of the Coalition Provisional Authority (CPA), the U.S. government has been working with the Iraqi government to establish organizations, systems, training, and an anticorruption environment that is effective and increases Iraqi citizens' trust and confidence in the transparency and accountability of overall government operations. The CPA issued several orders and established organizations and programs to improve accountability within the Iraqi government. For example, the CPA introduced financial disclosure by senior Iraqi government officials including police and military officers starting from the rank of captain.

The Iraqi Board of Supreme Audit (BSA) has existed since 1927 and retained some prestige and standing throughout the Saddam regime. The BSA has been fully incorporated into the current public integrity system. The CPA sought to strengthen public integrity by establishing two new institutions - the Commission on Public Integrity (CPI) and the Iraqi inspector general system (IIG) within all government ministries. Prosecution of corruption cases is the purview of the courts, in particular the CPA-established Central Criminal Court of Iraq (CCCI). Consultants under the Iraq Reconstruction Management Office (IRMO) and U.S. government contractors worked to raise the professional standards and know-how of these fledgling institutions. The CPI cases referred to the CCCI are numerous, but court prosecutions have been few. Links among the four government institutions are still tenuous. The OIG Rule-of-Law Report described the situation as "anticorruption agencies in imperfect collaboration." This assessment remains valid.

On May 20, 2006, the newly appointed Iraqi Prime Minister, in presenting the Council of Ministers to the Iraqi Parliament, outlined a 33-point program designed to restore Iraqi sovereignty and provide for good governance. The Prime Minister identified specific challenges facing the new government including "tackling administrative and financial corruption." The recent forming of the new Iraqi government will set the stage for a critical U.S. anticorruption initiative, the joint U.S. - Iraqi Anticorruption Task Force, to provide focused joint attention on anticorruption issues. The long delay in forming a new government in Baghdad precluded this initiative.

## **U.S. LEADERSHIP IN ANTICORRUPTION**

Both the OIG Rule-of-Law Report and SIGIR, in its quarterly report of October 2005, zeroed in on the central importance of building and sustaining an effective anticorruption effort in Iraq. Corruption is second only to the insurgency as a threat to success in forging Iraqi democracy. This is particularly true in looking at the vulnerability from corruption of the public infrastructure in oil and electricity and the security ministries responsible for protecting this infrastructure. These entities are the bedrock of Iraq's future stability. For this reason, U.S. officials are pressing the new government's leaders, who act as guardians of Iraq's vulnerable infrastructure, to commit to integrity in government. No one is deluded about the difficulties of making progress, recognizing that such an undertaking is a generational challenge, very hard to measure in the short term. It is within this framework that U.S. government agencies are working to strengthen Iraq's anticorruption regime.

Beginning in the last half of 2005, elements within the U.S. government expressed a growing dissatisfaction with the efforts of the anticorruption campaign in Iraq. On November 12, 2005, the U.S. Ambassador to Iraq convened an Anticorruption Summit. Participants included high-ranking American and Iraqi officials with direct responsibilities for anticorruption efforts in Iraq. Although Embassy Baghdad's efforts to promote anticorruption predate that event, the summit resulted in rejuvenating a previously inactive embassy anticorruption working group (ACWG).<sup>3</sup> Its aim is to establish an anticorruption strategy and ensure that project activity accords with this strategy and takes place in a collaborative manner that maximizes the benefit of each dollar spent. The summit also envisaged a joint U.S.-Iraqi working group that has not yet met.

All appropriate agencies at the embassy are represented in the ACWG and their representatives normally attend the working group sessions. The chairman deftly leads the discussants through the agenda and keeps the discussions focused and relevant. He tasks effectively and ensures timely follow-up. He focuses on identifying synergies between agencies and establishes subgroups as required to press for

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<sup>3</sup>See Appendix A for membership in the ACWG.

interagency collaboration. The working group is performing reasonably well. Greater attention by the Ambassador and/or the deputy chief of mission would strengthen the authority of the chairman in overseeing the interagency process.

The working group turned its early attention to building a consensus around an anticorruption strategy that accorded primacy to identifying committed Iraqis, engaging them in a joint U.S.-Iraqi task force, pressing for market reform that would remove the profit from smuggling, and initiating a broad public outreach program. The absence of a new government during the early months of the working group's activism undoubtedly constrained the embassy's ability to engage Iraqis on anticorruption. The formation of a new government will present an opportunity for the working group to make progress in this endeavor, and the embassy must move quickly to ensure success.

On the programmatic side, the working group urged:

- Strengthening the mechanism for prosecuting corrupt officials,
- Averting the politicization of anticorruption efforts,
- Fostering the role of civil society organizations in anticorruption advocacy,
- Supporting the establishment of an anticorruption training institute,
- Encouraging the creation of a U.S.-based support network of inspectors general under the auspices of the President's Council on Integrity and Efficiency (PCIE), and
- Enlisting other donors in anticorruption efforts.

There are signs that the working group's program focus is contributing to increased interagency cooperation. It is too early to say with certainty, but the danger is that the group will fall victim to "management by programs" and lose sight of the strategic vision.

No mechanism has yet been established for regular review of the various anticorruption programs to determine how they help achieve strategic goals. The team was unable to identify a repository of anticorruption initiatives including those established under the CPA or before December 2005. However, the ACWG has recently established indicators for measuring progress of each of its planned activities. The team judged these to be well defined and measurable. It is time to establish a process and a schedule to conduct regular reviews of the U.S.-sponsored anticorruption efforts and to assess how each element relates to and helps achieve the U.S. government's strategic goals.



**Recommendation 1:** Embassy Baghdad should direct the anticorruption working group to establish a process and a schedule for regular reviews, at least semiannually, of each of the anticorruption working group's anticorruption programs to assess how each program relates to and helps achieve the U.S. government's strategic goals for anticorruption. (Action: Embassy Baghdad)

Indicators for gauging the overall impact of U.S. government-sponsored programs (e.g., the reduction of corruption across Iraqi society) have not been established. Metrics such as Transparency International's Corruption Perception Index, cited above, could be one method of measuring the effectiveness of anticorruption initiatives. Surveys might also prove useful in quantifying the effect of program activities and measuring progress. At present some elements of the ACWG use surveys for this purpose.

U.S. government anticorruption efforts are growing and the need for effective coordination among agencies and contractors is now seen as critical to their success. The team agreed that managing a task of this scope is likely to require additional personnel resources. At present, leadership of the ACWG is vested in the economic counselor who has other, demanding responsibilities as well. To ensure that there are sufficient resources to devote to managing the anticorruption effort, the economic counselor has prepared a request to the ambassador asking for additional ACWG support from one full-time Foreign Service officer and one full-time person seconded from the Multi-National Force - Iraq. In addition, a locally employed staff member is needed to provide continuity and to facilitate U.S.-Iraq joint integration issues.

**Recommendation 2:** Embassy Baghdad, in coordination with the Department's Bureau of Human Resources, should seek to assign an officer at the FS-02 level or above to one of the authorized but unfilled positions in the economic section, and re-designate the position to reflect full-time attention to overseeing the interagency anticorruption portfolio in cooperation with the economic counselor. (Action: Embassy Baghdad, in coordination with DG/HR)

**Recommendation 3:** Embassy Baghdad should hire one locally employed staff and write the job description to reflect full-time attention to providing staff support to the full-time officer assigned to the anticorruption portfolio in the economic section and to the members of the working group. (Action: Embassy Baghdad)

Initiating a broad public outreach program that informs, educates, and advocates on behalf of public integrity has been a central element of the U.S. and Iraqi campaign against corruption. The campaign aims at mobilizing press and media resources, strengthening civil society organizations, and developing school curricula. The primary actors in this work have been the education branch of the CPI, the embassy's public affairs section (PAS), and a U.S. Agency for International Development (USAID) contractor. Each of these organizations has done good work, but their effectiveness will benefit from stronger interagency coordination.

In Iraq, the tenacious state domination of the economy and resulting distortions in the market have provided ample opportunity for corruption. In response, the U.S. government, along with international financial institutions, has urged economic reforms that include market pricing of goods and services, reducing state subsidies, and dismantling state enterprises. Success here will change the context in which public corruption flourishes. There are incipient signs of progress with, for example, reducing fuel price subsidies and liberalizing petroleum product import markets aimed at equalizing fuel prices with those in neighboring countries and thus reducing the temptation to smuggle oil out of Iraq.

Likewise, the U.S. government has pressed the Iraqis for financial transparency. To that end, USAID funded and signed a \$10 million contract to develop and implement a core financial management information system, centralized within the Ministry of Finance. Installation is to take place in two phases, first, at 56 fiscal institutions that have bank accounts and authority to make payments and, second, at 126 additional fiscal institutions. Implementation involves training all administrative personnel, and installing equipment and connectivity to facilitate data input from the spending units directly into the central database at the Ministry of Finance.

Security and a lack of infrastructure have hampered communication, site access, and automation efforts. Without electricity and connectivity, data input is not always possible. Further, computer literacy among staff is low, and banking systems and payroll systems are not yet automated. To date, 85 percent of the requirements for the core system have been completed.

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In addition, INL has agreed to provide \$5 million for a public payroll module, and Treasury has agreed to fund an additional \$2 million for a procurement module. The software is an off-the-shelf product, modified to provide Arabic translations and other specific needs. The total cost for the core system and payroll and procurement modules is estimated at \$19.5 million. The major expenditures are for staffing and security, about \$4,500 per contractor staff day in Iraq. The final completion date for the core system and the two additional modules is early 2007.

As noted, transformation from a pattern of historic corruption presupposes changes in societal attitudes. Reflecting this reality, the Multi-National Security Transition Command-Iraq (MNSTC-I) is developing and supporting an Iraqi Center for Military Values, Principles and Leadership. An MNSTC-I contractor, Military Professional Resources, Inc (MPRI), has been engaged to develop a full spectrum curriculum for teaching ethical precepts and values. The contractor will be satisfied if the trainees truly grasp two or three of the ethical precepts in the initial stages of the program. Iraqi military personnel will learn standards, develop levels of awareness, and have the capacity to decide when to report misconduct.

The MPRI contract, valued at \$143 million includes elements of mentoring and training. MNSTC-I plans to establish between 15 and 20 training centers. Initially, staffing will include 13 contractor personnel, four U.S. military personnel, and a number of Iraqi staff. Eventually, the contractor hopes about 80 Iraqi instructors will be sufficiently trained and capable of continuing the program after the contract is completed. MNSTC-I plans to transfer responsibility for the ethics resource center to NATO, possibly by February 2007.

Although the center's purpose is to inculcate the principles and leadership traits that highlight the importance of ethics to military personnel who are its principal audience, MNSTC-I intends to conduct a media campaign promoting the center and its anticorruption values to a wider Iraqi audience. The outcome of U.S. government efforts likely will not be apparent and measurable for some years.

## **RESOURCES**

The expenditure of U.S. government funds on anticorruption has been ad hoc and modest. Anticorruption funding often is embedded in programs designed ostensibly for other purposes so that calculating precise amounts expended on anticorruption is difficult (see Appendix B). Funding has come from the Iraq Relief and Reconstruction Fund (IRRF), and the main conduits for relevant programs and

projects have been IRMO advisors, USAID, the Department's Bureau of International Narcotics and Law Enforcement Affairs (INL), the U.S. Treasury, and MN-STC-I. The survey team calculates that total funds obligated and/or reallocated for anticorruption programs through FY 2006 (not including any supplemental funding currently pending in Congress) have been under \$65 million. Despite the fact that attacking corruption is among the top U.S. priorities in Iraq, this amount represents less than .003 percent of total IRRF funding to date. Non-U.S. donor funding has been even more modest, with little immediate prospect of expansion in activity levels.<sup>4</sup>

Iraqi government financial and other support for anticorruption efforts has also been uneven. For example, it has apparently committed to funding a training institute for the Commission on Public Integrity but has largely neglected support for the inspectors general. SIGIR auditors met on May 18, 2006, with the Ministry of Interior's Inspector General and audit director. The audit director said he has six auditors to review ministry programs and only one computer to support them. He said he needs 70 auditors to provide adequate oversight of the Ministry's programs throughout the country. Such resource issues ought to be a priority agenda item for the to-be-activated U.S.-Iraqi Anticorruption Task Force.

## **ENCOURAGING NON-U.S. DONORS**

Although 26 international donors have pledged \$1.4 billion for various Iraqi projects through mechanisms such as the International Reconstruction Fund Facility for Iraq, anticorruption funding from these sources has been limited to date. This appears to be changing. For example, the United National Development Group recently financed a \$4.8 million project to have the Audit Board of Jordan provide training to Iraq's BSA over an 18 month period.

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<sup>4</sup>U.S. Congress appropriated \$2.48 billion under Public Law 108-11 and an additional \$18.4 billion under Public Law 108-106, for a total of \$20.88 billion for reconstruction of Iraq.

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The British National Board of Audits already completed some anticorruption training for BSA's auditors in Amman. A first secretary at the British Embassy in Baghdad told the survey team that the World Bank may have an interest in helping with financial issues, given that debt relief stems from meeting the conditions articulated in the World Bank Stand-by Agreement.<sup>5</sup> In addition, the International Compact for Iraq has identified donors who may become involved in anticorruption projects.<sup>6</sup>

Finally, now that the BSA has fully paid its dues to the International Organization of Supreme Audit Institutions (INTOSAI), it could benefit from the organization's training programs and could also benefit from training offers from other member states. In this connection, Morocco's supreme audit agency appears willing to provide some training.

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<sup>5</sup>The World Bank recently performed an Operation Procurement review and could be engaged to assist with developing procurement standards and appropriate changes in legislation to ensure procurement transparency. The work was performed in Jordan given the reluctance to station World Bank personnel in Iraq. The World Bank could offer oversight and guidance in the future but has not provided funding for training Iraqi procurement personnel.

<sup>6</sup>The International Compact for Iraq is a new initiative that addresses international support for long-term initiatives. The compact envisions that donors will define anticorruption, make commitments, and create benchmarks to measure progress in economic reform and capacity building.

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## **IRAQI ENGAGEMENT - DESIGN, NOT BUY-IN**

Anticorruption is a cornerstone of U.S. policy in Iraq and an essential first step toward honest governance. The new Iraqi government must move rapidly and effectively to have its ministers and other key officials move against corruption in ministries that manage Iraq's basic infrastructure. This is a political imperative of immense proportions, affecting Iraq's future stability. Impressing the Iraqis about the importance of anticorruption is essential.

This political challenge comes within the broader framework of U.S. and Iraqi efforts to create the tools that support integrity throughout Iraq's public institutions. Iraqi anticorruption officials participated in the Ambassador's November 2005 summit meeting to begin crafting a joint U.S.-Iraqi anticorruption strategy. This inclusion gave support to the view that any strategy that ignored Iraqi realities and did not accord primacy to Iraqi authorship would be destined for failure. To date, Iraqi commitment to anticorruption activities has been lukewarm.

In assessing why the Iraqi anticorruption system is not performing better than it is, the ACWG pinpointed a lack of visible and authoritative commitment and engagement, ideally at the level of the Prime Minister. Iraqi officials have been reluctant to stake out strong positions on fighting corruption, and in truth, those who do stick their heads out are exposed both physically and professionally in the fragile political and security environment of Iraq. Watchdogs who attempt to challenge corruption often find themselves the target of accusations of being corrupt themselves. Yet, only Iraqis can iron out the lines of authority and jurisdiction, and develop mechanisms for cooperation and coordination that work. Furthermore, all those working to strengthen the anticorruption environment in Iraq must be cognizant of public attitudes toward government integrity. Critical in this assessment is the need to act in ways that avert politicizing anticorruption efforts so as not to inflame sectarian and other centrifugal forces at play in Iraq.

Despite the embassy's awareness that the Iraqi government must be involved in designing programs, the joint U.S.-Iraqi anticorruption task force that the summit described has not yet taken shape. However, the lack of a joint task force, potentially a weakness, has not diminished embassy efforts on anticorruption activities and workarounds. In its absence, the embassy has used other channels for soliciting Iraqi views. The chairman of the ACWG works hard to keep his Iraqi counterparts informed of embassy thinking on anticorruption. The Iraqi inspectors general from

the various ministries have developed an ad hoc process of meeting in plenary session, and attendance at these sessions has been good. The latest of these sessions took place at the embassy in May 2006. Most U.S. officials working with anticorruption institutions, civil society organizations, and the media have also supported the message that while the U.S. government has clear and legitimate notions for an effective anticorruption regime in Iraq, the ultimate design must come from the Iraqi side. As noted in the OIG Rule-of-Law Report, “the defining characteristic of this new phase must be that it enhances the transition from a U.S.-directed program to a sustainable Iraqi-directed program.” This premise is as applicable to anticorruption endeavors as to all other aspects of the rule-of-law spectrum.

**Recommendation 4:** Embassy Baghdad should convene a formal session of the U.S.-Iraqi anticorruption task force envisaged at the November 2005 summit on anticorruption to extract the official commitment of the new Iraqi government to anticorruption and identify visible and authoritative officials to oversee Iraq’s anticorruption campaign. (Action: Embassy Baghdad)

While the absence of a functioning U.S.-Iraqi task force impedes the emergence of a clear statement of Iraqi intentions and goals for stamping out corruption, insights into how Iraqi officials view anticorruption nonetheless exist. Examples include:

- The Iraqi military leadership’s partnering with MNSTC- I to design the ethics resource center where the contractors will have access to Iraqi military leaders and their views on anticorruption;
- The Commissioner for Public Integrity’s recent visit to the United States during which he exchanged views with U.S. officials, including U.S. inspectors general, and with personnel at the World Bank;
- The Iraqi civil society organizations that have benefited from training and technical assistance from the America’s Development Foundation (ADF) and now express their views on corruption in extensive printed and audio-visual material. They also provide insights into their views on combating corruption when submitting applications for small grants from ADF, and in conversations with ADF’s American personnel;



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- The work of the BSA, which has remained independent of most external influences and maintained its schedule of audits;
- The parliamentary committee on anticorruption that provides a venue for articulation of Iraqi views in a highly politicized environment.

For greatest effectiveness, members of the ACWG should take advantage of their understanding of what Iraqis think about fighting corruption to ensure that U.S. assistance reflects that thinking. To that end, there has been insufficient information sharing among ACWG members and their contractors who are in direct contact with Iraqis involved in anticorruption work and get an understanding of Iraqi views.

**Recommendation 5:** Embassy Baghdad's anticorruption working group should establish, as part of its agenda, the opportunity for working group members and associated contractors to share what they learn of Iraqi views on corruption and the campaign to eliminate it. (Action: Embassy Baghdad)

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## **ANTICORRUPTION INSTITUTIONS IN IMPERFECT COLLABORATION**

The CPA moved resolutely to establish the institutional architecture that remains the framework for Iraqi action and U.S. attention to anticorruption. The integration of this system is still in progress. The BSA, CPI, Iraqi inspectors general, and CCCI have evolved independently, each with its strengths and weaknesses. The lack of substantial numbers of prosecutions, however, signals a more systemic problem that needs attention. Although the three primary institutions designed to ensure public integrity have the power and authority to investigate and document cases of wrongdoing, they do not have the power to prosecute alleged criminal activity. The structure in place calls for all cases deemed worthy of prosecution to pass to the CCCI for action. The CCCI is charged with prosecuting insurgency cases, criminal cases, and with a small number of judges, corruption cases, in that order.

Current statistics available from the embassy indicate that the pyramid for prosecuting anticorruption cases is sharply pointed. Of more than 2,600 cases it received, the CPI forwarded 450 cases to the CCCI for prosecutorial action. Of these, 80 arrests were made and only six adjudications were handed down.

There is little agreement and much finger-pointing among Iraqi and American officials on the causes for this failure to prosecute public integrity cases. Mutual accusations abound -- inadequate investigative workups, political selectivity in choosing cases to pursue, obstruction based in politics and sectarianism, and inattention. The ACWG has recognized the urgency of strengthening a weak and uncoordinated law enforcement structure, and its related lack of staff, so as to increase criminal convictions and dissuade corrupt behavior by public officials.

U.S. government support for Iraqi anticorruption institutions has been uneven, and uncoordinated. The CPI and the CCCI have received the lion's share of U.S. attention and support. Since its inception, CPI has had a team of U.S. consultants assigned to it by the IRMO and training provided through the Department of Justice's International Criminal Investigative Training Assistance Program (ICITAP).

The CCCI has benefited from the presence of regional legal advisors detailed to Iraq by the Department of Justice's Office of Prosecutorial Development Assistance and Training, and assistance to Iraq's Judicial Training Institute. An adjudication subgroup within the working group has turned its attention to greater collaboration, and signs are beginning to emerge that these multiple advisory and training groups understand the need for cross-fertilizing the training of both investigators and judges as a way of bridging the gap between them. In fact, the regional legal advisor recently addressed the training group, and CPI investigators are occasionally assigned temporarily to judges' staffs. These Justice officials are focusing on finding new ways to help the CPI and CCCI fix the broken links in the chain of investigations and prosecutions.

**Recommendation 6:** Embassy Baghdad, through the embassy's anticorruption working group, should develop and implement a strategy for the teams of U.S. advisors and trainers for the Commission on Public Integrity and the Central Criminal Court of Iraq to work together to bridge the gap between the investigative function of both institutions. (Action: Embassy Baghdad)

The BSA and the 31 inspectors general in Iraq's government ministries have received very little capacity-building assistance from the U.S. government to date. The BSA has not sought help, and its President has declined direct offers of assistance for anticorruption training. Instead, the BSA has contented itself with episodic links to the U.S. Government Accountability Office and training from the United Kingdom and Australia. Iraq, however, is now a fully paid-up member of INTOSAI and its regional body. It stands ready to benefit from training offered by this organization and other member states. The U.S. government should urge Iraq to maximize the educational benefits of its affiliation with INTOSAI.

**Recommendation 7:** Embassy Baghdad's anticorruption working group should ensure members understand the training function of the International Organization of Supreme Audit Institutions and develop and implement a strategy to assist the Board of Supreme Audit and other anticorruption institutions to participate in the International Organization of Supreme Audit Institutions' training opportunities. (Action: Embassy Baghdad)

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Assistance to the IIGs has been limited to mentoring, over two years, by a series of advisors who worked virtually alone, primarily with the offices of inspectors general in the Ministry of Defense and the Ministry of Interior. One advisor, in particular, has nonetheless succeeded in mobilizing the IIGs to exchange ideas that help maximize the effectiveness of their offices. Very recently, MNSTC-I contracted through MPRI to launch a mentoring program that has placed six advisors in the IIG's offices at the Ministries of Defense and Interior. This development represents a quantum leap forward in U.S. assistance to the IIGs. INL has proposed reallocating about \$2 million, in FY 2006 to strengthen U.S. support for the IIGs. At the same time, a working group of the President's Council on Integrity and Efficiency, under the leadership of the Inspector General of the Department of State and the Acting Inspector General of the Department of Defense, has also begun to explore ways in which they can offer help to IIGs. With the formation of the new government and the potential for clear guidance from the IIGs on what they need to perform their functions better, the time has come for the U.S. government to expand and sharpen its support for the IIG system.

**Recommendation 8:** Embassy Baghdad should encourage the new Iraqi government to support the role of the Iraqi inspectors general in anticorruption activities and should seek the ideas and opinions of the Iraqi inspectors general and others in the Iraqi anticorruption structure on ways in which the inspectors general would benefit from mentoring and technical and other assistance from U.S. inspectors general with a view to providing guidance for the President's Council on Integrity and Efficiency working group on setting up such assistance. (Action: Embassy Baghdad)

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## **TRAINING**

Taken together these anticorruption institutions that have been fully described above, if successful, could provide meaningful accountability from government officials and transparency to the Iraqi public. Meanwhile, there is no strategy to implement training for all of these anticorruption entities. Instead, there has been ad hoc and uneven training, and Iraqi funding will likely support, primarily, the CPI training needs.

### **COMMISSION ON PUBLIC INTEGRITY**

The CPI has become the most robust of the three organizations. CPI is charged with law enforcement and crime prevention in a role similar to that of the U.S. Federal Bureau of Investigation. CPI investigates allegations of corruption within the government and refers cases to the CCCI. With about \$11 million in funding from INL for training and other initiatives, ICITAP has trained over 1,000 CPI investigators in investigative procedures, including surveillance, physical and computer evidence, the technical aspects of investigations, and personal security. The CPI's early focus on training its personnel has encouraged the idea of establishing a training facility. This support for a training facility has not been equally extended to the other anticorruption entities. The CPI has, reportedly, identified a building to house its training center and offices. It appears that Iraqi money is available to fund such a center for CPI, primarily, with the possibility of providing training for other anticorruption entities as well.

ICITAP training has experienced peaks and valleys over the last two years. For example, in summer 2005, there were eight trainers, and good work was accomplished. By winter 2006, there were four trainers, an insufficient number to accomplish ICITAP goals. By mid-May 2006, 16 advisors are planned, creating expectations that this number will address the remaining 2006 goals.

A substantial security component is required because CPI investigators become targets for insurgents or subjects of investigation. Many have had threats, and there is a high turnover among the employees. They will now receive more security awareness and self-protection training. Self-defense equipment has been ordered and investigators will be able to make use of a newly purchased ballistic trailer that provides a venue for target practice.

According to CPI officials, complete success is limited by the number of language assistants. Language assistants are key to ensuring participants understand the training, ensuring continuity, and including a flavor of Iraqi culture in teaching materials. CPI officials believe at least eight language assistants are needed; ten would be ideal. There were only three during the survey, and one of these was kidnapped while the survey team was in Iraq. The team believes CPI could decide how to use its funding, for trainers or language assistants, commensurate with program needs.

## **INSPECTORS GENERAL**

With one U.S. government representative focused on the IIGs in the Ministries of Defense and Interior and one focused, to a limited extent, on the Ministry of Finance, essentially no attention has been given to mentoring and training the remaining 28 inspectors general. The new MPRI contract provides six additional advisors for the Ministries of Defense and Interior. Their mandate is to mentor and train these inspectors general and their staffs on investigations and human rights- not general auditing skills. Thus, the 28 other inspectors general will remain neglected.

The CPA established the IIGs for each ministry, giving the Prime Minister appointment and dismissal authority. This method of employment was intended to ensure IIG's independence and objectivity when they attempt to determine how to improve efficiency and effectiveness and prevent fraud, waste, and abuse of power. The IIGs are expected to establish standards that fit Iraqi culture and prevent corruption and mismanagement within the ministries. They are charged with reporting wrongdoing to the minister who metes out administrative punishment or allows the IIGs to refer crimes to the CPI for further investigation. The quality of these IIGs varies greatly, with some being accused of an excess of zeal while others are beholden to the minister.



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Members of the BSA and CPI receive an additional allowance that reflects the danger of working on anticorruption issues. The IIGs do not receive this allowance and feel they should see an equivalent pay supplement, given the equivalent risks of their work. The survey team believes this is an entirely Iraqi issue and encourages the embassy to discuss the need for this equality with those responsible for paying salaries for IIG's.

There are continuing discussions and disagreement about how to mentor and train the IIGs. As stated in the OIG Rule-of-Law Report:

Those supporting Iraq's new anticorruption architecture also want to see the establishment of a training facility to assure a continuously high standard of performance by all three institutions and to have outreach occur to the broader community about the principles of ethical government service. The curriculum at such a facility must emphasize programs for personnel from all three branches of Iraq's anticorruption infrastructure. The need for such a facility is urgent and should occur as soon as possible but not later than the second quarter of FY 2006.

This was followed by a specific recommendation in that report, which continues to be valid.<sup>7</sup>

U.S. cost estimates for establishing a training center range broadly from \$2 million to \$25 million. The U.S. government has not made available any funds for this training project. At the same time, the survey team was told that the CPI has available a total of \$11 million with which it proposes to establish a center that it says will be open to employees from the other anticorruption entities. The fact that CPI appears to be moving forward with its project suggests that guidance within Embassy Baghdad should continue to push for a single training institution, designed by Iraqis, with a curriculum that emphasizes programs for personnel from all three branches of Iraq's anticorruption structure.

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<sup>7</sup>**Recommendation 20:** Embassy Baghdad, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, should seek and support Iraqi efforts to design and establish a training facility for anticorruption personnel from, and with the support of, all three institutions of the Iraqi anticorruption structure. (Action: Embassy Baghdad, in coordination with INL)

**Recommendation 9:** Embassy Baghdad should support and guide Iraqi efforts to design and establish a training facility for anticorruption personnel from, and with the support of, all three institutions of the Iraqi anticorruption structure as soon as possible. (Action: Embassy Baghdad)

## **BOARD OF SUPREME AUDIT**

The BSA remains a respected and venerable institution. Again, its leadership and auditors are subject to threats and assassinations. It has administrative authority to rectify wrongdoing. Charged with auditing every government contract, it has regularly executed that duty. Its recent success story revolves around auditing over 80 contracts, collectively valued at approximately \$1 billion. Its work indicated that there was no wrongdoing in establishing and executing the contracts. It further determined that accounting procedures for receipt of goods and inventory were inadequate. The goods, however, were ultimately located and accounted for.

The U.S. Department of Treasury's representatives in Baghdad have established a working relationship with BSA and the Ministry of Finance. Beginning in February 2004, a coalition advisor spent time with BSA staff. Presently, BSA and the Ministry of Finance occupy the same building and have continuing support from the Iraqi government for security and basic functions. No U.S. government funds have been expended for these activities and Treasury's representatives have not mentored or performed any training sessions for the BSA.

The Treasury representative believes the financial management information system, now being developed and implemented, will provide much needed information and help to combat corruption by providing transparency and visibility into budgets, payroll, procurement, etc. Without systems, auditing is difficult, and, without remedies, corruption can flourish. The national payment system, a core component of FMIS is running throughout Iraq. Connectivity remains a problem but is being addressed, with some workarounds identified.

## **PUBLIC EDUCATION AND OUTREACH**

The U.S. government strategy for attacking corruption in Iraq calls for the initiation of a broad public affairs program that informs, educates, and provides incentives to join the anticorruption effort. Both U.S. and Iraqi government and nongovernment officials seized upon this strategic imperative. Project activity in this arena is energetic and has included mobilizing press and media resources, strengthening civil society organizations and developing school curricula. The aim has been to raise awareness among the citizenry about good governance and standards they can expect from public servants and ways to seek remedies when abuse is uncovered.

The PAS has been particularly active in monitoring the media for coverage on anticorruption and organizing exchange programs and other training opportunities with anticorruption as the focus. Recently PAS received substantial funding, about \$15 million, directed to developing media programming on subjects of interest to the United States including anticorruption. The actual sum directed toward anticorruption is a small percentage of the total. The section is tackling the challenge of programming this money to the greatest effect. USAID's contractor, America's Development Foundation (ADF), has also put a high priority on strengthening an independent media. Within this activity they have succeeded in airing in-studio focus programs on anticorruption. The ACWG has taken an appropriate initiative to convene a media subgroup to ensure that all those working on the media are aware of the initiatives of other players and the priority media content that furthers U.S. policy in fighting corruption.

PAS involvement has gone beyond the media to suggest an International Visitor program for the IIGs and others. Working group members have caught on to the value of this resource. At its weekly meeting, the working group was asked to evaluate a proposal for sending six IIGs to the United States on a single-country International Visitor program. CPI's education branch has been a leader in public outreach, producing antifraud literature, pamphlets, and children's magazines. The coordination between PAS and CPI has been generally effective. Since 2004, USAID and INL have been funding public education and outreach programs. USAID's contract with ADF also funds grants that ADF awards to support capacity building of the civil society organizations. A hefty portion of ADF's allocations has gone to anticorruption, specifically in raising national awareness, advocating for anticorruption, and

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providing technical assistance. INL's grant to the U.S.-based National Strategy Information Center funded an assessment of the potential for school and media programs to support a "culture of lawfulness" but is unlikely to lead to any follow-up in the short term.

It is inevitably difficult to measure the outcome of public education and outreach programs in the short term. Productivity of audio-visual materials has been high, training intensive, and TV coverage copious. The contractors have done rudimentary polling to assess the results of their performance. The real judgment of success, however, will be longer term, when citizens demand good governance and seek remedies when it is not provided.

## **FORMAL RECOMMENDATIONS**

**Recommendation 1:** Embassy Baghdad should direct the anticorruption working group to establish a process and a schedule for regular reviews, at least semiannually, of each of the anticorruption working group's anticorruption programs to assess how each program relates to and helps achieve the U.S. government's strategic goals for anticorruption. (Action: Embassy Baghdad)

**Recommendation 2:** Embassy Baghdad, in coordination with the Department's Bureau of Human Resources, should seek to assign an officer at the FS-02 level or above to one of the authorized but unfilled positions in the economic section, and re-designate the position to reflect full-time attention to overseeing the interagency anticorruption portfolio in cooperation with the economic counselor. (Action: Embassy Baghdad, in coordination with DG/HR)

**Recommendation 3:** Embassy Baghdad should hire one locally employed staff and write the job description to reflect full-time attention to providing staff support to the full-time officer assigned to the anticorruption portfolio in the economic section and to the members of the working group. (Action: Embassy Baghdad)

**Recommendation 4:** Embassy Baghdad should convene a formal session of the U.S.-Iraqi anticorruption task force envisaged at the November 2005 summit on anticorruption to extract the official commitment of the new Iraqi government to anticorruption and identify visible and authoritative officials to oversee Iraq's anticorruption campaign. (Action: Embassy Baghdad)

**Recommendation 5:** Embassy Baghdad's anticorruption working group should establish, as part of its agenda, the opportunity for working group members and associated contractors to share what they learn of Iraqi views on corruption and the campaign to eliminate it. (Action: Embassy Baghdad)

**Recommendation 6:** Embassy Baghdad, through the embassy's anticorruption working group, should develop and implement a strategy for the teams of U.S. advisors and trainers for the Commission on Public Integrity and the Central Criminal Court of Iraq to work together to bridge the gap between the investigative function of both institutions. (Action: Embassy Baghdad)

**Recommendation 7:** Embassy Baghdad's anticorruption working group should ensure members understand the training function of the International Organization of Supreme Audit Institutions and develop and implement a strategy to assist the Board of Supreme Audit and other anticorruption institutions to participate in the International Organization of Supreme Audit Institutions' training opportunities. (Action: Embassy Baghdad)

**Recommendation 8:** Embassy Baghdad should encourage the new Iraqi government to support the role of the Iraqi inspectors general in anticorruption activities and should seek the ideas and opinions of the Iraqi inspectors general and others in the Iraqi anticorruption structure on ways in which the inspectors general would benefit from mentoring and technical and other assistance from U.S. inspectors general with a view to providing guidance for the President's Council on Integrity and Efficiency working group on setting up such assistance. (Action: Embassy Baghdad)

**Recommendation 9:** Embassy Baghdad should support and guide Iraqi efforts to design and establish a training facility for anticorruption personnel from, and with the support of, all three institutions of the Iraqi anticorruption structure as soon as possible. (Action: Embassy Baghdad)

## **ABBREVIATIONS**

ACWG	Anticorruption working group
ADF	America's Development Foundation
BSA	Board of Supreme Audit
CCCI	Central Criminal Court of Iraq
CPA	Coalition Provisional Authority
CPI	Commission on Public Integrity
FMIS	Financial management information system
ICITAP	International Criminal Investigative Training Assistance Program
IIG	Iraq inspectors general
INL	Department of State's Bureau of International Narcotics and Law Enforcement
INTOSAI	International Organization of Supreme Audit Institutions
IRMO	Iraq reconstruction management office
IRRF	Iraq Relief and Reconstruction Fund
MNSTC-I	Multi-National Security Transition Command-Iraq
MPRI	Military Professional Resources Incorporated
OIG	Department of State's Office of Inspector General
PAS	Public affairs section
SIGIR	Special Inspector General for Iraq Reconstruction
USAID	U.S. Agency for International Development

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## **APPENDIX A**

### **Membership in Embassy Baghdad's Anticorruption Working Group**

- Economic Counselor (ACWG chairperson)
- Political Affairs section
- Political-Military Affairs section
- Public Affairs section,
- U.S. Department of Commerce's Foreign Commercial Service
- Iraq Reconstruction Management Office
- U.S. Department of Justice
- U.S. Agency for International Development
- U.S. Department of Defense's Office of the Inspector General
- Bureau of International Narcotics and Law Enforcement Affairs
- U. S. Department of Treasury
- Strategic Effects, Multi-National Force - Iraq
- Multi-National Security Transition Command - Iraq

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## APPENDIX B

### Inventory of U.S. Government Funding for Anticorruption Programs in Iraq as of June 15, 2006

U.S. Agency for International Development funding for the **Bearingpoint** contract to develop and implement the core financial management information system. Total contract value: \$184 million. Approximately \$10 million devoted to financial management system.

U.S. Treasury allocated additional \$2 million to complete the core financial management system.

U.S. Treasury proposes funding \$2 million to implement a procurement module in the financial management system.

The Bureau of International Narcotics and Law Enforcement Affairs proposes funding \$5 million of reallocated FY 2006 funds to implement a payroll module in the financial management system.

U.S. Agency for International Development funding for **America's Development Foundation** to strengthen civil society organizations. Total contract value: \$43 million. Approximately \$9 million devoted to anticorruption.

U.S. Agency for International Development proposes funding \$3.1 million of reallocated FY 2006 funds to continue society and media work.

The Bureau of International Narcotics and Law Enforcement Affairs proposes funding \$2 million to continue strengthening civil society.

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Multi-National Security Transition Command - Iraq funding for **Military Professional Resources Incorporated** to establish an ethics resource center and mentoring program in the Ministries of Defense and Interior IIG offices. Total contract value: \$143 million. Approximately \$7.7 million for the ethics resource center and \$6 million for the IIG mentoring program.

The Bureau of International Narcotics and Law Enforcement Affairs funding for **U.S. Department of Justice** program to train and equip criminal investigators for the Commission for Public Integrity and to provide educational outreach. Total value: \$13.2 million.

Public Affairs Section funded approximately \$500,000 for international visitor programs and to encourage anticorruption training.

The Bureau of International Narcotics and Law Enforcement Affairs proposes funding **America's Development Foundation** and the **Commission for Public Integrity** \$1 million to continue anticorruption work with the media.

The Bureau of International Narcotics and Law Enforcement Affairs proposes funding \$1 million to support the **Board of Supreme Audit's** training and mentoring needs.

The Bureau of International Narcotics and Law Enforcement Affairs proposes funding \$2 million to support the **inspectors generals'** training and mentoring needs.

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