OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

ANTICORRUPTION EFFORTS IN IRAQ: U.S. AND IRAQ TAKE ACTIONS BUT MUCH REMAINS TO BE DONE

SIGIR 08-023
JULY 29, 2008

SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

July 29, 2008

MEMORANDUM FOR SECRETARY OF STATE
SECRETARY OF DEFENSE
U.S. AMBASSADOR TO IRAQ
COMMANDING GENERAL, MULTI-NATIONAL FORCE - IRAQ

SUBJECT: Anticorruption Efforts in Iraq: U.S and Iraq Take Actions but Much Remains to Be Done (SIGIR 08-023)

We are providing this report for your information and use. We performed this audit under the authority of Public Law 108-106, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspectors General Act of 1978, as amended. This report is the latest in a series of reports by the Special Inspector General for Iraq Reconstruction (SIGIR) on U.S. government anticorruption efforts in Iraq. SIGIR instituted reviews consistent with its mandate to review reconstruction activities in Iraq. Preventing and fighting corruption is key to accomplishing Iraq's economic, social, and political reconstruction. SIGIR has described corruption in Iraq as the "second insurgency." This report was conducted as SIGIR Project 8023.

We considered written comments on a draft of this report from the U.S. Ambassador to Iraq, and the Multi-National Security Transition Command-Iraq when finalizing this report. The comments are addressed in the report, where applicable, and are included in their entirety in appendix D.

We appreciate the courtesies extended to the staff. For additional information on the report, please contact Glenn Furbish, Deputy Assistant Inspector General for Audits (703) 428-1058/ glenn.furbish@sigir.mil.

Stuart W. Bowen, Jr.
Inspector General

Table of Contents

Executive Summary i

Introduction 1

U.S. Has Taken Actions but Much Remains To Be Done 2

Government of Iraq Anticorruption Activities 7

Conclusion 11

Recommendations 11

Matter for Congressional Consideration 12

Management Comments and Audit Response 12

Appendices

A. Scope and Methodology 14

B. Status of SIGIR Recommendations 16

C. Acronyms 19

D. Audit Team Members 20

Management Comments

U.S. Embassy - Iraq 21

Multi-National Security Transition Command-Iraq 24

Anticorruption Efforts in Iraq: U.S. and Iraq Take Actions but Much Remains to be Done

SIGIR-08-023 **July 29, 2008**

Executive Summary

Introduction

SIGIR has issued four reports addressing U.S. Embassy efforts to manage a multitude of U.S. government agency anticorruption programs, including those of the Department of State (DoS), Department of Justice, U.S. Agency for International Development (USAID), and Multi-National Force-Iraq (MNF-I). In a July 2006 report[1] SIGIR identified fundamental problems in implementing a U.S. anticorruption program such as the lack of coordination and leadership. SIGIR provided 12 recommendations to address these problems and to form a basis for assessing progress. For example, SIGIR recommended that DoS appoint a senior leader to direct the anticorruption program and provide continuity in program administration, and that a steering group be established to provide oversight over program activities and ensure that all agencies are working towards a common goal in an efficient and effective manner. In our April 2008 report[2] SIGIR discussed how the U.S. Embassy had implemented actions to address two recommendations, but that actions were still needed to fully address the remaining ten.

Our objectives for this report were to determine:

- U.S. Department of State's progress in implementing its revised anticorruption management plan, and addressing previous SIGIR recommendations, and
- The anticorruption efforts of the Government of Iraq.

Results

Reducing corruption in Iraq will be a difficult and lengthy process, requiring a sustained commitment by all parties. Recent actions by the DoS and U.S. Embassy-Iraq show a continued commitment to improving the U.S. anticorruption program. Importantly, SIGIR determined that the Embassy has fully addressed 3 more of SIGIR's previous 12 recommendations; 5 recommendations are now closed. Some work has also been done to address the 7 open recommendations; however, more remains to be accomplished to fully establish and implement a comprehensive and effective program. Specifically, managers need to improve the existing program strategy and to address staffing and financial shortages. Enhanced U.S. Embassy oversight of anticorruption efforts should also improve program outcomes.

---

[1] *Joint Survey of the U.S. Embassy-Iraq's Anticorruption Program* (SIGIR 06-021, July 28, 2006).
[2] *U.S. Anticorruption Efforts in Iraq: Progress Made in Implementing Revised Management Plan* (SIGIR 08-016, April 24, 2008)

The U.S. anticorruption strategy that was produced in June 2008 was partially responsive to SIGIR's recommendation. However, the strategy lacks metrics that tie program activities to goals, as well as baselines from which progress can be measured. Consequently, the U.S. government has not established a basis for assessing the program's impact on reducing corruption in Iraq. This leaves future program investments vulnerable to wasteful spending, ineffectiveness and inefficiency. SIGIR also believes that the strategy could be improved by:

- Capturing the lessons learned or best practices from previous U.S. and other donor anticorruption country programs around the world;
- Identifying how it supports the Government of Iraq's (GOI) anticorruption approach, or the extent to which the GOI is committed to the U.S. programs, and;
- Identifying how the United States will address the emerging challenges of provincial leaders.

The DoS and the Embassy have not moved aggressively to obtain the necessary program funding. The U.S. Embassy has identified $10 million in expired Iraq Relief and Reconstruction Fund (IRRF) funds as the primary funding source for new programs to support anticorruption efforts. These resources would be in addition to existing funding – such as USAID and International Narcotics and Law Enforcement Affairs funds – used for anticorruption related programs. In February 2008, the DoS submitted a request to Congress for these funds, but the Congress returned the request asking for additional details on how the money was to be used. As of July 9, 2008, the DoS had not resubmitted the request because it was still finalizing a list of anticorruption projects to be funded out of these monies. As a consequence, the level of resources that will be available for anticorruption activities is uncertain.

As to the issue of program leadership, the Anticorruption Coordinator (Coordinator) informed SIGIR that efforts are made to share information between DoD and DoS entities implementing anticorruption programs but the approval of the Anticorruption Coordination Office (ACCO) of DoD activities is not required. For example, MNSTC-I meets with the ACCO and informs it of its efforts to bolster anticorruption training and execution in the Iraqi ministries of Defense and Interior, but is not required to vet its programs through the ACCO. SIGIR believes a formal leadership structure with the authority to ensure that all agency anticorruption activities address strategic plan priorities and that agencies work in concert, would improve program accountability and outcomes.

Meanwhile, the GOI must do more to address corruption, though certain efforts have demonstrated progress. The U.S. Anticorruption Coordinator and the Chairman of the Iraq Joint Anticorruption Council (JACC) informed SIGIR that the improved security situation has increased the confidence of the GOI to begin to address the issue of corruption. For example, the GOI has ratified the United Nations (UN) Convention against Corruption (UNCAC), which can provide a roadmap to achieve anticorruption goals. Also, the Council of Representatives is currently considering draft legislation updating the mandates of the three primary anticorruption organizations of the GOI. Finally, GOI officials report progress addressing the 18 anticorruption initiatives identified in a January 2008 anticorruption conference. However, U.S. and UN officials remain concerned about the capacity of Iraq's anticorruption organizations. Moreover, intimidation and threats continue to impede effective anticorruption efforts, and current GOI

regulations continue to have a corrosive effect on the perception of GOI's commitment to aggressively address corruption.

Recommendations

SIGIR recommends that the Secretary of State expedite actions to provide the requested information to the Congress regarding the use of IRRF monies for anticorruption activities.

SIGIR also recommends that the Ambassador direct the Coordinator for Anticorruption Initiatives to review the U.S. anticorruption strategy to ensure that it contains the following elements:

- Recognition of global best practices in anticorruption programs
- A description of how the U.S. strategy ties to the GOI anticorruption strategy and the anticorruption sections of the International Compact
- A discussion of the GOI's commitment and support for the U.S. approach and projects
- Clear goals and objectives with criteria to measure progress
- Local level anticorruption capacity building activities
- A prioritization of anticorruption projects based on a strategic analysis of the need and resources available

Moreover, SIGIR also recommends that the Ambassador and the Commanding General, MNF-I, work jointly to ensure that all U.S. government anticorruption programs, regardless of funding source or agency management, are fully vetted through and coordinated with the ACCO.

Matter for Congressional Consideration

Making meaningful and lasting changes to reduce corruption will require a sustained and lengthy effort on the part of the GOI and all groups seeking to help facilitate the process. Therefore, as the Congress considers future funding for this program it may wish to consider the need for dedicated funding predicated on the Embassy's development of clear anticorruption goals, objectives and periodic reports on results.

Management Comments and Audit Response

The U.S. Ambassador and MNSTC-I provided written comments on a draft of this report.[3] The comments are included in the Management Comments section of this report. In summary, the Ambassador stated that he did not believe that the report appropriately considers the full context in which anticorruption efforts are occurring. According to the Ambassador, the unique security situation has rendered inapplicable those lessons learned in other post-conflict environments, and a comprehensive assessment of Iraq's anticorruption landscape and its anticorruption needs has

[3] SIGIR's quarterly reports generally summarize all audit reports issued during the quarter, including a synopsis of agency comments. However, SIGIR did not receive the Embassy's comments in time to include them in our quarterly report. However, they are included in this final report.

not been possible due to the violence and sometimes chaotic on-the-ground realities. Only recently has the security situation made the prospect of making an assessment feasible, and the Embassy is taking steps to initiate the assessment. He also said that there is no comprehensive GOI anticorruption strategy. The Embassy has shared its approach with its GOI counterparts, but all elements of the GOI do not necessarily share the Embassy's assessments or fully endorse what needs to be done.

SIGIR recognizes the difficulties the Embassy faces in assessing corruption and promoting good governance in the midst of conflict and this report reflects those conditions. However, SIGIR's criticism of the Embassy's strategy is based not only on its lack of recognition of best practices, but also on its lack of clear overall anticorruption goals or specific and measureable objectives targeted at achieving these goals. Absent these features, program managers lack the tools to assess the effectiveness of their efforts and to make appropriate adjustment. Moreover, we also do not fully agree that all previous DoS experience in anticorruption and good governance activities in post-conflict environments are not applicable in Iraq. Structural difficulties the GOI experiences, such as a legacy that built into its mechanisms procedures and processes to advance it own corruption is not necessarily unique to Iraq. As such, USAID reports that it has implemented programs to advance the transparency and accountability of governments, train for and modernize the financial and judicial sectors, as well as to mobilize public support to pressure governments to make needed changes. We continue to believe that lessons learned from such efforts can be applicable to the condition in Iraq. The Ambassador also provided technical comments which we incorporated as appropriate.

Both MNSTC-I and the Ambassador also expressed concern about a statement in the draft report that they do not coordinate their anticorruption activities with the ACCO. Our point was that no one single person or organization is accountable for all U.S. government anticorruption efforts. We acknowledge that MNSTC-I and the ACCO keep each other informed of their respective activities. We have added wording to this report to more specifically address MNSTC-I's and the Ambassador's point on coordination and our position on the need for greater program accountability.

Finally, MNSTC-I expressed concern that SIGIR did not interview MNSTC-I officials or request documentation in the conduct of our review. The focus of this review was on how well the ACCO was addressing previous SIGIR recommendations, and planning and overseeing the U.S. government anticorruption program. As such, we did not perform new audit work specifically focused on MNSTC-I or, for example, Department of Justice management of anticorruption activities. However, we met with MNSTC-I personnel earlier this year during previous anticorruption work, and during this review attended Anticorruption Working Group meetings where MNSTC-I participated. We also out briefed MNSTC-I on the results of our work, particularly as it pertained to ACCO oversight of its activities.

In our draft report, SIGIR discussed staffing issues within the Anticorruption Coordination Office. In his response to the draft, the Ambassador said that only one position remains vacant in this office. This is a positive step at this time. However, given that the Coordinator has expressed to SIGIR the difficulty he experiences in obtaining and retaining qualified staff, we continue to believe that the staffing issue remains a concern.

Introduction

Background

The U.S. Embassy and the Iraqi Prime Minister have stated that developing the capacity of the Government of Iraq (GOI) to address corruption is critical to GOI governance. The Ambassador reported that pervasive corruption poses a serious threat to Iraq's stability and reconstruction efforts. Although data are not available to quantify the extent of corruption in Iraq, Transparency International determined that Iraq is perceived as one of the most corrupt nations in the world.[4] Using polls and surveys, Transparency International concluded that Iraq was perceived as the most corrupt nation in the Middle East and North Africa and nearly the most corrupt nation in the world. Worldwide, out of 180 countries, only two other countries were perceived by its citizens as having a higher level of corruption than Iraq.

SIGIR has issued four reports addressing U.S. Embassy efforts to manage a multitude of U.S government agency anticorruption programs, including those of the Department of State (DoS), Department of Justice, U.S. Agency for International Development (USAID), and Multi-National Force-Iraq (MNF-I). In a July 2006 report,[5] SIGIR identified fundamental problems that affected the implementation of U.S. anticorruption efforts such as a lack of coordination and leadership in anticorruption programs. SIGIR made 12 recommendations to address these problems and to establish a basis for assessing progress. SIGIR recommended, for example, that DoS appoint a senior leader to direct the anticorruption program and provide continuity in program administration, and establish a steering group to provide oversight over program management and ensure that all are working towards a common goal in an efficient and effective manner. In a July 2007 report, SIGIR assessed progress in implementing those recommendations and found that little progress had been made.[6] SIGIR noted that the program lacked focus, the Embassy had not completed a recommended inventory and assessment of anticorruption activities, and the Embassy lacked a comprehensive, integrated plan that tied anticorruption activities to an overall U.S. Mission-Iraq strategy and a baseline to measure progress. SIGIR determined that as of June 30, 2007, the Embassy had fully implemented only 2 of our 12 recommendations. In a January 2008 report,[7] SIGIR said that the U.S. Embassy-Iraq had developed and received DoS approval of a plan to improve the management of U.S. anticorruption activities, which included the appointment of a high ranking official to manage the anticorruption program. Our April 2008 report[8] discussed how the U.S. Embassy was beginning to implement the plan, but that actions were still needed to fully address the remaining ten SIGIR recommendations.

---

[4] Transparency International Corruption Perceptions Index 2007
[5], *Joint Survey of the U.S. Embassy-Iraq's Anticorruption Program* (SIGIR 06-021, July 28, 2006)
[6] *Status of U.S. Government Anticorruption Efforts in Iraq* (SIGIR 07-007, July 24, 2007)
[7] *U.S. Anticorruption Efforts in Iraq: Sustained Management Commitment is a Key to Success* (SIGIR 08-008, January 24, 2008)
[8] *U.S. Anticorruption Efforts in Iraq: Progress Made in Implementing Revised Management Plan* (SIGIR 08-016, April 24, 2008)

U.S. Has Taken Actions but Much Remains to Be Done

Recent actions by the DoS and U.S. Embassy-Iraq indicate a continued commitment to improving the U.S. anticorruption program. Since our last report, the Embassy has fully addressed 3 additional recommendations of the 12 made in our June 2006 report. However, more remains to be accomplished to fully establish and implement a comprehensive and effective program. Managers still need to address staffing difficulties and financial shortfalls, and U.S. management of anticorruption efforts needs improvement. Further, the Embassy's June 2008 anticorruption strategy still lacks metrics that tie objectives and programs to a goal, as well as baselines from which progress can be measured.

Program Initiatives are Underway

Since SIGIR's last report in April 2008, the Anticorruption Coordination Office (ACCO) has continued to improve its management of anticorruption activities. The new management approach, which was approved by the Ambassador in January 2008 and which SIGIR described in depth in its last report, sought to elevate the importance of anticorruption activities within the Embassy, and to initiate specific actions in support of a reorganization plan. SIGIR concluded that full implementation of the plan should address all SIGIR recommendations. The Coordinator stated that to support the new approach, he has hired more staff, established a direct link to the Deputy Chief of Mission (DCM) on anticorruption issues, and reached out to the GOI and international partners on anticorruption issue. For example, the Coordinator noted that during the week of June 8-14, 2008, there were six meetings with United Nations (UN) personnel in Baghdad, as well as numerous emails and phone calls.

As a result of these and other efforts, SIGIR found that the Embassy had met 3 more of our 12 recommendations, These include (1) hiring an Iraqi to help forge U.S.-GOI anticorruption efforts, (2) providing periodic reports to the DCM on progress, barriers and funding needs, and (3) encouraging the GOI to establish relationships with regional and international partners. As such, the Embassy has fully addressed 5 out of the original 12 recommendations. Additionally, actions are underway that address the remaining 7 recommendations.

Staffing

Staffing shortages, aggravated by short term deployments have been a concern in managing the anticorruption program. Despite improvements in the structure and staffing of the ACCO, critical positions have gone unfilled and the Embassy has been relying on DoD personnel to temporarily fill vacant positions. The Coordinator informed us, for example, that the Deputy Coordinator position had not been filled. DoS officials informed us that they are attempting to address these issues. First, they noted that the U.S. Ambassador to Iraq has requested that all senior level officials, including the Coordinator, commit to staying two years at post. State officials noted that the Department has approved and funded all positions in the ACCO, and the Ambassador, in response to our draft, noted that he hoped to name a Deputy the week of July 28,

2008. Nevertheless, the Coordinator reiterated to us that he faces continuing problems in finding qualified staff to fill positions.

Funding

Funding to support anticorruption activities remains uncertain. At present, the Embassy in Iraq does not have a funding stream dedicated to this effort. Rather, anticorruption activities are embedded within overarching programs, such as rule of law, and managed by the entity responsible for that activity such as the Department of Justice or USAID. To obtain funding, DoS submitted a request to Congress in February 2008, for $10 million in expired IRRF funds but the Congress returned the request asking for additional details on how the money was to be used. As of July 9, 2008 the DoS had not resubmitted the request because it was still finalizing a list of anticorruption projects to be funded out of these expired funds.

Leadership

SIGIR has consistently recommended that the U.S. Embassy establish a steering group that would have oversight of all U.S. government anticorruption programs to ensure that all initiatives are working toward a common goal in the most efficient and effective manner. We also recommended that the Ambassador establish a policy that would require all participating organizations to vet new anticorruption initiatives through an Embassy anticorruption steering group regardless of agency boundaries. Progress has been made in this area. However, DoS continues to rely on coordination rather than leadership of anticorruption activities. SIGIR continues to believe that program accountability and outcome would be improved if a joint executive steering group were created.

To illustrate, in June 2008, the Ambassador instructed all mission elements "under his authority" to coordinate all anticorruption activities with the ACCO to ensure that they are consistent with the U.S. strategy. According to the ACCO Coordinator, DoD and DoS share information on their anticorruption activities, however, DoD is not required to obtain DoS approval for its activities. The Anticorruption Coordinator said that he is not aware of any conflicts between DoD and DoS activities, and that the coordination mechanism is effective.

SIGIR acknowledges the coordination between DoD and DoS. However, we believe that implementing strategic plans and achieving objectives is more difficult when agencies can act unilaterally. Without a formal mechanism to ensure that all agency anticorruption activities address strategic plan priorities and that agencies work in concert, strategic plans become little more than guidance. For example, in a July 2006 SIGIR report on anticorruption we noted that there was no comprehensive list of ongoing anticorruption activities. An anticorruption working group that was leading the effort at that time said it was conducting an inventory of all ongoing anticorruption activities to identify areas of duplication and to determine where additional coordination is needed. However, two years later no inventory has been produced. SIGIR believes that designating an executive steering group and vesting it with accountability for anticorruption activities would eliminate problems like this and produce better results.

Strategy Encouraging But Can Be Improved

The U.S. Embassy has completed its SIGIR-recommended anticorruption strategy. The strategy is important to improving the management of the U.S. anticorruption program, but SIGIR believes it can be improved.

The need for a comprehensive, integrated management strategy for anticorruption activities was first identified in a July 2007, SIGIR report on anticorruption along with the need for metrics that tie anticorruption activities to that plan. Since that time, the Embassy has drafted an Anticorruption Strategy Framework that outlines key elements for U.S. government engagement and programming. However, SIGIR's analysis of the strategy shows that it still does not identify overall goals and measures for determining progress. The elements essential to strategic and performance planning are outlined in the Government and Performance Results Act (GPRA) of 1993. The GPRA addresses the need to identify goals and objectives, a description of how the goals and objectives are to be achieved, and a description of program evaluations that can be used to revise goals and objectives. SIGIR believes GPRA standards are a good starting point from which to base an effective strategy. SIGIR's analysis of the Embassy's strategy identified objectives, and descriptions of how the objectives were to be achieved. However, the plan could be improved by including overall goals and measures for evaluating progress.

A State Department official commented that the Department views this strategy more as a high-level, macro overview than a strategic plan. Moreover, officials noted that given the difficulty in defining and measuring corruption, it is equally difficult to measure results unless they see clear indicators such as numbers of individuals prosecuted for corruption. They suggested that outputs, such as numbers of people trained, may be the best short term option to measure success. SIGIR recognizes the difficulty in measuring progress to curb corruption and that each implementing agency should have specific measurements for each of its programs. However, that does not negate the need to specify how all programs will be measured collectively for their progress in achieving broad goals and objectives. For example, the Embassy anticorruption strategy includes as a key element to meet its objectives engagement with the GOI to, among other things, eliminate the laws and regulations that inhibit the investigation and prosecution of corrupt activities. The strategy does not include criteria or metrics to evaluate progress. The type of information needed is illustrated in the GOI's Commission on Integrity's Strategy. For example, the Commission has a goal to amend laws and suggest new laws to counteract corruption. For that goal the strategy includes objectives, timeframes in which to complete each objective, the budget available for each objective and expected results.

Other ways in which we believe the strategy could be improved include the following:

- The plan should address lessons learned or best practices from previous U.S. and other donor anticorruption country programs around the world. To illustrate, USAID's 2005 worldwide anticorruption strategy emphasizes the need to develop programs based upon identification of a problem. Specifically, USAID identifies two types of corruption – "grand" and "administrative" corruption. The approaches to addressing grand and administrative corruption are different as grand corruption involves the exchange of resources, access or other advantages for high-level officials, privileged firms and their networks of elite operatives and supporters that can distort and manipulate entire systems

to serve private interests. Administrative corruption usually refers to small transactions and mid-level and low-level government employees, and usually reflects specific weaknesses within systems. Responses to administrative corruption may include projects to support procurement and financial management reform and audit practices.

The importance of identifying the type and extent of corruption is reflected in USAID's caution that financing extensive bureaucratic reforms or new anticorruption agencies in countries with pervasive levels of corruption among high-level officials and members of the elite may not yield significant results. These interventions tend to work best in countries with a demonstrated commitment to address corruption. An official in the ACCO informed SIGIR that the Embassy agrees that building capacity of anticorruption institutions such as the CoI and BSA will have limited impact unless the GOI has the political will to create an environment that is conducive to their effective operation. As a result, he noted, the Mission plans to broaden the scope of the program to influence change in the overall government anticorruption environment. The strategy does not, however, include that change in approach or identify the type of corruption that the Embassy is dealing with.

- The plan should identify how it supports the GOI anticorruption program and the extent to which the GOI is committed to the U.S. programs. Regarding U.S. support for GOI initiatives, the Chairperson of the Joint Anticorruption Council (JACC) voiced his concern over what he perceived to be declining levels of U.S. support for the Inspectors General (IGs) – a system the U.S. put in place at the beginning of the Iraq reconstruction effort. He noted that U.S. support for the IGs had declined after a former U.S. advisor left. Regarding GOI's commitment, in previous audits, SIGIR found that the lack of GOI commitment jeopardizes the success of the project. For example, SIGIR reported on problems in developing an Iraq Financial Management Information System (IFMIS) which although not specifically an anticorruption program, if successful would have supported anticorruption efforts. Iraq's financial structure was unable to monitor ministerial budgets and expenditures, leaving the ministries vulnerable to fraud, waste, and misappropriation of funds. The project was suspended for reasons related principally to security and the lack of GOI commitment.[9] SIGIR has also reported on difficulties in obtaining GOI support to assume responsibility for facilities the United States has constructed.[10]

- The plan should identify how the U.S. will address the emerging challenges of provincial leaders. Specifically, the strategy notes that the move to elected provincial leaders will present new and difficult challenges from an anticorruption perspective. The United Nations Development Programme (UNDP) notes a similar need, especially as financial authority devolves to the provinces, and elections take place. However, there is no discussion of how the United States will meet the new challenge to assist in the development of anticorruption capacity at the local government level. In written comments on a draft of this report, the Ambassador said that a portion of the requested

[9] *Interim Report on Efforts and Further Actions Needed to Implement a Financial Management Information System in Iraq* (SIGIR-08-001, October 24, 2007); *Efforts to Implement a Financial Management Information System in Iraq* (SIGIR-08-007, January 25, 2008)

[10] *Transferring Reconstruction Projects to the Government of Iraq: Some Progress Made but Further Improvements Needed to Avoid Waste,* (SIGIR- 08-017, April 28, 2008)

IRRF funds is planned to go to the UNDP to support anticorruption institutions at the regional and provincial levels.

In his written comments on a draft of this report, the Ambassador agreed that there is a need for a comprehensive assessment of Iraq's corruption landscape and its anticorruption needs. However, he said that the traditional assessment process has not been possible due to the violence and sometimes chaotic on-the-ground realities. The Embassy indicated a portion of the requested reprogrammed IRRF is slated to be used for the United Nations Office of Drugs and Crime, who has a strong record working with countries on detailed self-assessments as part of their compliance with the UN Convention Against Corruption, to which Iraq acceded earlier this year. The Anticorruption Coordination Office is also actively pursuing expertise from the World Bank and other academic resources.

Government of Iraq Anticorruption Activities

The GOI has much to do to address corruption. However, the GOI has undertaken significant efforts. In a January 2008 conference, the GOI announced that it was kicking off a national campaign to deal with the epidemic of corruption and presented 18 specific anticorruption initiatives. The U.S. Anticorruption Coordinator informed SIGIR that the improved security situation has increased the confidence of the GOI to pursue corruption initiatives. For example, the GOI has ratified the UN Convention Against Corruption (UNCAC) which can provide the roadmap to achieve anticorruption goals. However, both U.S. and UN officials remain concerned about the capacity of the organizations to execute needed actions. Moreover, intimidation and threats continue to impede effective anticorruption efforts, and existing GOI regulations continue to have a corrosive effect on the perception of GOI's commitment to aggressively address corruption.

GOI Attempts to Formalize Anticorruption Activities

In SIGIR's April 2008 report, we noted that one key initiative announced at the January 2008 conference was the drafting of legislation to harmonize the responsibilities of the anticorruption agencies. In its 2007 report on Iraqi human rights practices, DoS concluded that anticorruption institutions were fragmented and interaction among them was hampered by a lack of consensus on their role. The GOI has taken actions to formally institutionalize and clarify the roles and missions of its three principal anticorruption institutions - the BSA, CoI, and IGs. The GOI has done so by drafting three laws to replace the Coalition Provisional Authority (CPA) orders, which authorized the organizations. The draft laws make changes to better reflect UNCAC requirements and clarify the mandates of each organization. As of July 2008, the draft laws had gone through a second reading in the Council of Representatives.

As discussed below, some evidence suggests that activity has increased in some of the anticorruption agencies, though all still confront significant problems.

The Joint Anticorruption Council (JACC)

The JACC was organized in 2007 to coordinate and formulate nationwide strategies to combat corruption, and comprises representatives from, among others, the Secretary General of the Council of Ministers and representatives from the BSA, CoI, IGs, and judiciary. The JACC Chairman informed SIGIR in June 2008 that it meets weekly but noted that its mission continues to evolve. To illustrate, the JACC initially began its work by attempting to coordinate the various Iraqi anticorruption organizations to eliminate overlap. It has since assisted in developing the 18 anticorruption initiatives introduced at the January 2008 anticorruption conference. In June 2008, the Chair of the JACC informed SIGIR that JACC had spent the last three months drafting the three draft laws coordinating the BSA, CoI and IGs' missions and activities. The JACC also vets and recommends prospective Inspectors General. Currently, the JACC initiatives include supporting each ministry's effort to establish an Internet website to promote transparency, and promoting a draft law to establish a Council of Public Service to encourage qualified Iraqis to enter government service.

Commission on Integrity

The CoI was established as an independent commission responsible for recommending and implementing laws to counter corruption, and initiatives for raising awareness and educating the public about the principles of transparency and integrity. With the assistance of the UNDP and Canadian advisors, the CoI developed a strategic plan that includes six strategic goals, including: (1) inspect and investigate possible cases of corruption; (2) promote the culture of patriotism, integrity and transparency; (3) complete disclosure of the financial interests of governmental officials; (4) develop the code of conduct for public servants; (5) review and amend laws and draft laws to counteract corruption; and (6) create a complementary relationship with the BSA, General Inspector Offices and stakeholders. The U.S. Embassy reported that as of June 2008, the United States through the Department of Justice's International Criminal Investigative Training and Assistance Program, has a $5.3 million project and has trained over 270 investigators.

The DoS March 2008 Report on Human Rights Practices noted, however, that since its inception the CoI (previously named the Commission on Public Integrity (CPI) and so called in the human rights report) had adjudicated only approximately 241 of more than 3,100 cases under investigation. DoS concluded that this occurred because the CoI's caseload far outstripped the organization's investigative capacity and it experienced intimidation and lack of training. For example, the report detailed that during 2007 the CoI (CPI) confronted high-level attempts to influence prosecutions of members of the ruling party. Moreover, although the organization is required by law to enforce officials' filing of financial disclosure reports, DoS concluded it was not powerful enough to enforce the requirement.[11] In his response to our draft report, the Ambassador stated that the DoS Human Rights Report unfairly characterizes the CoI's efforts. He said that the low number of cases the CoI was credited with processing in the report referred only to those where the judicial process is complete and the accused was found guilty. Moreover, the Ambassador noted that the numbers reflect problems in the court system as a whole and not just those related to corruption and similar problems have been noticed in terrorism and other high profile court matter. The Ambassador did not, however, provide any additional information to assess CoI activities

In summing up the work of the CoI, a U.S. Embassy official informed SIGIR in July 2008 that the CoI is somewhat in disarray after three management changes in the past year, and although the staff is better trained and more professional than it was two years ago, it is considered less effective than previously. The official noted that not a single major Iraqi official has been taken to court since the former Director, Judge Rhadi, left the CoI in August 2007, while under his tenure the CoI referred two to three cases a month for prosecution.

Board of Supreme Audit

The BSA is an 80-year-old institution responsible for conducting audits of contracts and financial activities undertaken by the Council of Representatives, the Prime Minister's Office, and the ministries. DoS's Human Rights Report noted that by May 2007, CoI (CPI) records indicated that BSA referrals had more than doubled from the year before. Overall, a UNDP

[11] *Country Reports on Human Rights Practices – 2007,* March 11, 2008, Department of State, Bureau of Democracy, Human Rights and Labor

official commented in June 2008 that the UN holds in high regard the work of the BSA. Specifically, the official noted that the BSA has a professional cadre of over 1,500 employees, has kept its institutional integrity and has a leader respected by Iraqis and the international community. A U.S. Embassy official cautioned that the BSA performs many audits but does not publish many of them so it is difficult to determine what is being achieved. However, the BSA reports that some audits are available on its website at www.bsairaq.net, and the remainder of the reports has been submitted to the Council of Representatives. U.S. training of staff at the BSA has been limited to funding six auditors for a Fellowship program with the U.S. Government Accountability Office. A much more extensive training program with UNDP meanwhile has begun a second phase of training.

A senior BSA official wrote SIGIR that when the Coalition Provisional Authority reconstituted the BSA, it restricted BSA's ability to implement the authority to investigate, refer financial violations directly to the court, or impose penalties on the violators. Moreover, she stated that the CPA deprived the BSA of its right to file lawsuits related to violation of Iraqi laws on the abuse of public funds, which, as she noted is the right of every Iraqi citizen.

Inspectors General

The GOI has a system of 31 IGs, with 1,250 staff, in the various ministries, the city of Baghdad, the central bank, and various endowments. Their mandate is to audit, inspect, and investigate their parent organizations to reduce fraud, waste and abuse. However, UN and U.S. officials view the IGs as among the least capable anticorruption agencies. A U.S. official in June 2008 stated that there is no consensus within the GOI on what the IGs should do. In response, the Embassy reported that as of June 2008, the United States has used approximately $11 million in International Narcotics and Law (INL) funds transferred to USAID through an inter-agency agreement to train approximately 800 IG staff. As a result of this training and that provided by a U.S. contractor working for the Ministry of Defense, the Embassy reported that it had trained more than 935 IG staff. However, the JACC Chairman expressed concern to SIGIR that U.S. support for the IGs appears to be declining even though the U.S. was the major impetus behind their development. The Ambassador, though, stated that more U.S. government funds are now being spent on the IGs than at any time since their creation thanks to INL-funded training provided by USAID.

GOI Joins UN Convention Against Corruption

DoS officials point to Iraq's becoming a State Party to the UNCAC in April 2008 as a tangible sign of the government's political will to address corruption. A UNDP official stated that the UN will focus its assistance on UNCAC and International Compact with Iraq (ICI) goals.

The UNCAC creates a global commitment and framework to prevent and address corruption, enabling effective national and international strategies. According to the Embassy, by joining the UNCAC, Iraq is obligated under international law to align its laws and institutions with the requirements of the UNCAC. The Convention requires members to develop a comprehensive national anticorruption strategy, review the existing legal and institutional framework, establish effective preventive measures such as codes of conduct and asset declaration systems, and promote ethical conduct, transparency, and accountability throughout society.

The ICI is an Iraqi initiative to forge a five-year development partnership with the international community, including the UN and the World Bank. To assess progress, a monitoring matrix was prepared which includes goals, benchmarks, and indicative actions to measure success including anticorruption actions. For example, for 2008, one benchmark was to adopt and implement legislation, regulations, and procedures and strengthen the legal and institutional framework for anticorruption. One indicator of success was the ratification and implementation of the UNCAC, which as noted above, occurred in April. Another indicator was the completion of a master plan for the anticorruption agencies, and the development of task forces for high risk institutions.

High-Level Decisions and Intimidation Can Impede Progress in Addressing Corruption

UNDP and U.S. officials with whom we met in June 2008 were particularly concerned about the effect of legal statutes and the high level of intimidation on the ability of these anticorruption agencies to meet their missions. Their principal concerns are detailed below.

Constitutional Provision: The Iraq Constitution provides immunity from arrest to members of the Council of Representatives (CoR) unless the member is caught in a criminal act or charged with a felony and the immunity is overturned by a majority vote of the CoR.

Paragraph 136(b) of the Iraq Criminal Procedure Code: This code allows ministers to halt a corruption proceeding and thereby prevent the arrest of their employees. DoS reported in its 2007 Human Rights Report that in 2007 ministers used this provision at least 67 times to halt the adjudication and arrest of employees, well above the 15 or more times it was used in 2006. DoS also noted that unlike 2006, in 2007 no new high-profile cases were brought to court.

Administrative Order: On April 1, 2007, the Prime Minister's Office issued an order to all Ministries including the CoI that effectively limited their authority. To illustrate, the memo stated that the CoI was not to refer any personnel in the Presidential Office, the Council of Ministers, or current or previous ministers to court without approval of the Prime Minister.

Laws Codifying Anticorruption Institutions: U.S. officials with whom we spoke in June 2008 generally viewed the draft laws formalizing the anticorruption entities as positive steps. However, not all of the laws' specific terms were seen as supporting anticorruption efforts. One U.S. official pointed in particular to the IG draft law that requires corruption referrals to be turned over to the respective Minister, rather than directly to the CoI. The official concluded that such a provision would allow the Minister the option of not forwarding the referral. Additionally, an Embassy official stated that another serious concern is that the proposed draft law for the CoI reduces its jurisdiction by eliminating its function to initiate preliminary corruption investigation. The draft law would allow it to initiate an investigation only after a case is forwarded to court. The U.S. officer commented that this would be a significant retreat in the power of the CoI to discover and prepare for court action cases of corruption, and leaves the initial investigations solely in the hands of the IGs and the management of the agency being investigated.

Conclusion

Reducing the level of corruption in Iraq will likely be a lengthy and difficult process. The likelihood of achieving this result will be enhanced by a sustained and robust U.S. anticorruption commitment. At the same time, the GOI will be required to make a similar commitment.

The DoS and the U.S. Embassy continue to take actions to improve their management of the U.S. government anticorruption program in the short time since SIGIR's last report. However, much remains to be done. Several years into the effort the strategic plan still lacks metrics for measuring program results. Staffing concerns, lack of funding, and the absence of a mechanism to evaluate all potential U.S. civilian and military programs to ensure that they are mutually supportive inhibits progress. This leaves future program investments vulnerable to wasteful spending, ineffectiveness, and inefficiency.

The GOI has taken steps with U.S. assistance that if implemented effectively could start to address corruption in Iraq. GOI commitment to the UNAC may provide the most comprehensive approach to coping with the corruption problem in Iraq. Nevertheless, U.S. and UN officials agree that the GOI has yet to deal with corruption at the highest levels of the government. SIGIR recognizes the delicate political environment in which both the United States and GOI must operate and knows that that it is unrealistic to expect large scale improvements from a nascent democracy in a short time period especially in the midst of military conflict. Nevertheless, it is reasonable to expect both governments to agree on a prioritized set of benchmarks that can demonstrate positive movement in addressing the endemic corruption in Iraq.

Recommendations

SIGIR recommends that the Secretary of State expedite actions to provide the requested information to the Congress regarding the use of IRRF monies for anticorruption activities.

SIGIR also recommends that the Ambassador to Iraq direct the Coordinator for Anticorruption Initiatives to review the U.S. anticorruption strategy to ensure that it contains the following elements:

- Recognition of global best practices in anticorruption programs
- A description of how the U.S. strategy ties to the GOI anticorruption strategy and the anticorruption sections of the International Compact
- A discussion of the GOI's commitment and support for the U.S. approach and projects
- Clear goals and objectives with criteria to measure progress
- Local level anticorruption capacity building activities
- A prioritization of anticorruption projects based on a strategic analysis of the need and resources available

Moreover, SIGIR also recommends that the Ambassador and the Commanding General, MNF-I, work jointly to ensure that all U.S. government anticorruption programs, regardless of funding source or agency management, are fully vetted through and coordinated with the ACCO.

Matter for Congressional Consideration

Making meaningful and lasting changes to reduce corruption will require a sustained and lengthy effort on the part of the GOI and all groups seeking to help facilitate the process. Therefore, as the Congress considers future funding for this program it may wish to consider the need for dedicated funding predicated on the Embassy's development of clear anticorruption goals, objectives and periodic reports on results.

Management Comments and Audit Response

The U.S. Ambassador and MNSTC-I provided written comments on a draft of this report.[12] These letters are included in the report's Management Comments section. In summary, the Ambassador stated that he did not believe that the report appropriately considers the full context in which anticorruption efforts are occurring. According to the Ambassador, the unique security situation has rendered inapplicable those lessons learned in other post-conflict environments, and a comprehensive assessment of Iraq's anticorruption landscape and its anticorruption needs has not been possible due to the violence and sometimes chaotic on-the-ground realities. Only recently has the security situation made the prospect of making an assessment feasible, and the Embassy is taking steps to initiate the assessment. He also said that there is no comprehensive GOI anticorruption strategy. The Embassy has shared its approach with its GOI counterparts, but all elements of the GOI do not necessarily share the Embassy's assessments or fully endorse what needs to be done.

SIGIR recognizes the difficulties the Embassy faces in assessing corruption and promoting good governance in the midst of conflict and this report reflects those conditions. However, SIGIR's criticism of the Embassy's strategy is based not only on its lack of recognition of best practices, but also on its lack of clear overall anticorruption goals or specific and measureable objectives targeted at achieving these goals. Absent these features, program managers lack the tools to assess the effectiveness of their efforts and to make appropriate adjustment. We also do not fully agree that all previous DoS experience in anticorruption and good governance activities in post conflict environments are not applicable in Iraq. Structural difficulties the GOI experiences, such as a legacy that built into its mechanisms procedures and processes to advance it own corruption is not necessarily unique to Iraq. As such, USAID reports that it has implemented programs to advance the transparency and accountability of governments, train for and modernize the financial and judicial sectors, as well as to mobilize public support to pressure governments to make needed changes. We continue to believe that lessons learned from such

[12] SIGIR's quarterly reports generally summarize all audit reports issued during the quarter, including a synopsis of agency comments. However, SIGIR did not receive the Embassy's comments in time to included them in our quarterly report. Because of their significance, the comments are included here and discussed in the body of this report.

efforts can be applicable to the condition in Iraq. The Ambassador also provided technical comments which we incorporated as appropriate.

Both MNSTC-I and the Ambassador also expressed concern about a statement in the draft report that they do not coordinate their anticorruption activities with the ACCO. Our point was that no single person or organization is accountable for all U.S. government anticorruption efforts. We acknowledge that MNSTC-I and the ACCO keep each other informed of their respective activities. We have added wording to this report to more specifically address MNSTC-I's and the Ambassador's point on coordination and our position on the need for greater program accountability.

Finally, MNSTC-I expressed concern that SIGIR did not interview MNSTC-I officials or request documentation in the conduct of our review. The focus of this review was on how well the ACCO was addressing previous SIGIR recommendations, and planning and overseeing the U.S. government anticorruption program. As such, we did not perform new audit work specifically focused on MNSTC-I or, for example, Department of Justice management of anticorruption activities. However, we met with MNSTC-I personnel earlier this year during previous anticorruption work, and during this review attended Anticorruption Working Group meetings where MNSTC-I participated. We also out briefed MNSTC-I on the results of our work, particularly as it pertained to ACCO oversight of its activities.

In our draft report, SIGIR discussed staffing issues within the Anticorruption Coordination Office. In his response to the draft, the Ambassador said that only one position remains vacant in this office. This is a positive step at this time. However, given that the Coordinator has expressed to SIGIR the difficulty he experiences in obtaining and retaining qualified staff, we continue to believe that the staffing issue remains a concern.

Appendix A – Scope and Methodology

We performed this audit under the authority of Public Law 108-106, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978, as amended. SIGIR initiated this review in May 2008 (Project 8023) as part of a quarterly assessment of U.S. Government anticorruption efforts in Iraq. The objective was to determine (1) the progress the Department of State made in implementing its new management approach and SIGIR recommendations to improve the management of anticorruption efforts for the calendar year quarter ending June 30, 2008, and (2) to provide information on GOI anticorruption efforts. We reviewed internal management controls within the context of specific plans, policies, and procedures aimed at improving the anticorruption program. For example, we addressed such internal control issues as maintaining the requisite number and level of competent staff to manage the multi-agency effort and developing systems to evaluate individual programs.

To determine Congressional actions related to anticorruption efforts in Iraq we reviewed pertinent legislation. To assess current U.S. efforts to strengthen management, we analyzed recent U.S. Embassy cables and other documents detailing new anticorruption measures as well as legislation providing a framework for strategic planning. We also met with Embassy personnel and attended meetings of the Embassy's Anticorruption Working Group.

To evaluate progress in addressing SIGIR recommendations, we analyzed previous, ongoing, and planned anticorruption management changes and assessed the extent to which they supported the objectives of the recommendations. In each instance, we concluded whether actions (1) were sufficient to completely address, and therefore close out, a specific recommendation; (2) were pending or underway, but not to the extent that they had resolved the particular problem; or (3) did not address the recommendation.

We also met with officials from the Government of Iraq and the United Nations to discuss their anticorruption activities and aspects such as coordination with U.S. anticorruption officials. We reviewed pertinent GOI and UN documents such as draft laws and strategic plans to obtain additional information on GOI activities.

We conducted this review in May, June, and July 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Use of Computer-processed Data

We did not use computer-processed data to perform this review.

Prior Coverage

We reviewed the following reports and relied on them in conducting our review:

- *U.S. Anticorruption Efforts in Iraq: Progress Made in Implementing Revised Management Plan* (SIGIR-08-016, April 24, 2008)

- *U.S. Anticorruption Efforts in Iraq: Sustained Management Commitment is a Key to Success* (SIGIR-08-008, January 24, 2008)

- *Status of U.S. Government Anticorruption Efforts in Iraq* (SIGIR- 07-007, July 24, 2007)

- Joint Survey of the U.S. Embassy-Iraq's Anticorruption Program (SIGIR-06-021, July 28, 2006)

Appendix B – Status of SIGIR Recommendations

In July 2006, SIGIR issued a report on anticorruption activities that identified such problems as a lack of coordination and leadership. SIGIR made 12 recommendations to improve the management of U.S. anticorruption efforts. A year later, SIGIR reported that limited progress had been made in implementing these recommendations and that the U.S. Embassy was re-establishing and reorganizing its efforts to better oversee U.S. anticorruption activities. In January 2008, SIGIR reported that the Embassy had completed its proposed reorganization plan (which was approved by the Department of State on January 9, 2008). Our January and April 2008 audits of the actions taken or planned indicated that they generally supported the outcomes SIGIR recommendations were designed to achieve but that 10 of 12 recommendations remained open pending full implementation of the strategy and actions.

During the current review SIGIR assessed progress in implementing the new management approach and in addressing the ten remaining open recommendations. SIGIR's review shows that three more recommendations have been closed.[13] Nonetheless, seven SIGIR recommendations remain open pending full implementation of the management plan and other specific actions. Table 1 below presents U.S. Embassy actions on the closed recommendations as well as SIGIR's analysis on the status of open recommendations, as of July 2008.

Table 1—U.S. Embassy's Actions on SIGIR's Recommendations

Recommendations to the U.S. Ambassador to Iraq	Analysis of Actions Planned or Taken	Analysis of Recommendation Status
Recommendation 1: Provide the necessary resources to have sufficient direction and oversight of the U.S. Embassy's anticorruption program, including a senior leader from DoS and a senior officer from the Multi-National Force-Iraq (MNF-I). Both positions should be filled with staff that has an appropriate background to bring value to the position.	On March 11, 2008, the Department of State announced the appointment of Ambassador Lawrence Benedict as U. S. Embassy Baghdad's first Coordinator for Anticorruption (Coordinator) initiatives. The Ambassador arrived in Baghdad on March 30. 2008.	This recommendation is closed.
Recommendation 2: Continue efforts to recruit an Iraqi local national staff member to provide support to the full-time anticorruption program manager. This person should have the necessary skills and level to be instrumental in forging joint U.S.-Iraqi anticorruption initiatives.	The Anticorruption Coordination Office (ACCO) currently includes two Iraqis staffers, one who is a dual national, who interact with Iraqi government officials.	This recommendation is closed.

[13] A recommendation is closed when it has been implemented, when actions have been taken that essentially meet the recommendation's intent, or when circumstances have changed and the recommendation is no longer valid. Absent these conditions, the recommendation remains open.

Recommendations to the U.S. Ambassador to Iraq	Analysis of Actions Planned or Taken	Analysis of Recommendation Status
Recommendation 3: Establish a joint executive steering group, chaired by the anticorruption program manager, with oversight of all U.S. Government anticorruption programs to ensure that all initiatives are working toward a common goal in the most efficient and effective manner.	SIGIR noted in its January 2008 report that Embassy reorganization plans supported the intent of this recommendation. The Embassy established the ACCO to perform the functions of the joint executive steering group The Coordinator is the head of the ACCO and is part of the Chief of Mission's (COM) senior staff, reporting to him through the Deputy Chief of Mission (DCM). Nevertheless, there is still no process to ensure that all U.S. Government initiatives, including civilian and military, are working toward a common goal, or metrics to determine whether they are being conducted in the most efficient and effective manner.	This recommendation remains open, actions pending or underway.
Recommendation 4: Direct the Joint Executive Steering Group to provide to the Deputy Chief of Mission periodic reports (at least quarterly) on progress, barriers, and funding needs to support the anticorruption program.	The Coordinator stated that he meets regularly with the Deputy Chief of Mission to brief on anticorruption activities and programs.	This recommendation is closed.
Recommendation 5: Establish a policy that will require all participating organizations to vet new anticorruption initiatives through the new joint executive steering group.	SIGIR was informed that the Ambassador has instructed all Mission elements under his authority to coordinate all anticorruption activities with the ACCO. However, this does not include U.S. military anticorruption activities. SIGIR has consistently called for the need to coordinate and vet all U.S. activities to eliminate stovepiping of reconstruction assistance.	This recommendation remains open.
Recommendation 6: Direct the joint executive steering group to conduct a complete review of each U.S.-funded anticorruption program and assess how that program helps achieve the U.S. Government's strategic goals for anticorruption.	We were informed that agencies under Chief of Mission authority have submitted an inventory of their anticorruption projects which are being reviewed for consistency with the Embassy's anticorruption strategy. However, it is unclear the degree to which U.S. military activities are included, and the strategy does not provide clear goals and objectives from which programs can be assessed.	This recommendation remains Open, Actions Pending or Underway.
Recommendation 7: Direct the members of the ACWG to develop action plans for each activity's program in concert with the overall strategic goals.	The U.S. Ambassador has stated that the Embassy must design and implement a comprehensive, integrated anticorruption strategy. The ACCO drafted an anticorruption strategy in June 2008 and is reviewing current projects and programs to ensure they are consistent with that strategy	This recommendation remains Open, Actions Pending or Underway.
Recommendation 8: Establish a baseline for each anticorruption program to document a starting point for the program to measure progress.	The ACCO informed SIGIR that the baseline is the anticorruption strategy, that it is developing metrics to measure the success of anticorruption programs, and expects to complete their development by August 2008. However, the strategy does not include specific and measurable baselines from which to assess progress.	This recommendation remains Open
Recommendation 9: Establish interim and long-term objective(s) for each anticorruption program consistent with the overall anticorruption program strategy.	The ACCO has developed an anticorruption strategy but it does not contain interim and long term objectives from which program objectives can be assessed.	This recommendation remains Open

Recommendations to the U.S. Ambassador to Iraq	Analysis of Actions Planned or Taken	Analysis of Recommendation Status
Recommendation 10: Engage Iraqi anticorruption counterparts in the new government and establish the joint U.S.-Iraq ACWG.	On May 16, 2007, the JACC charter was signed by the Prime Minister and senior Iraqi leaders, and since then, the JACC has held several meetings.	This recommendation is Closed.
Recommendation 11: Encourage the GOI to establish its own anticorruption working groups with regional and international partners.	According to the Coordinator, the GOI has been actively developing anti-corruption relationships with the international community on its own and with assistance from the U.S.G and others. Particularly illustrative is that Iraq became a State Party to the UN Convention on Anti-Corruption (UNCAC) on April 16, 2008. Iraq has also engaged in other UN and World Bank workshops and other GOI governance activities.	This recommendation is closed.
Recommendation 12: Based on the unresolved recommendation 20 from the October 2005 DoS Office of Inspector General report, [14] develop and implement an action plan to: A) Identify the training requirements of the Commission on Public Integrity, Board of Supreme Audit, Central Criminal Court of Iraq, and the ministerial Inspector Generals, with special emphasis on requirements that apply to all four institutions. B) Prioritize the identified training requirements. C) Identify training solutions for the requirements that can cut across multiple institutions to avoid duplication and maximize resources.	The ACCO stated in a June 2008 response to a SIGIR inquiry that its goal is to identify and meet the training needs of all GOI oversight personnel to include those in the Provinces, and that it has begun this process. Moreover, the Coordinator responded that the ACCO has been coordinating actively with the UNDP and USAID to identify training needs and eliminate duplication. If fully implemented, this plan would meet the intent of the recommendation.	This recommendation remains Open, Actions Pending or Underway.

[14] DoS OIG, ISP-IQO-06-0, "Report of Inspection: Rule of Law Programs, Embassy, Baghdad, Iraq ," October 2005.

Appendix C—Acronyms

Acronym	Description
ACCO	Anticorruption Coordination Office
ACWG	Anti-Corruption Working Group
BSA	Board of Supreme Audit
CoR	Council of Representatives
CPA	Coalition Provisional Authority
CPI	Commission on Public Integrity
DoS	Department of State
DCM	Deputy Chief of Mission
GOI	Government of Iraq
GPRA	Government and Performance Results Act
ICI	International Compact with Iraq
IFMIS	Iraq Financial Management Information System
IG	Inspectors General
INL	International Narcotics and Law Enforcement Affairs
IRRF	Iraq Relief and Reconstruction Fund
JACC	Joint Anticorruption Council
MNF-I	Multi-National Force-Iraq
MNSTC-I	Multi-National Security Transition Command-Iraq
SIGIR	Special Inspector General for Iraq Reconstruction
TI	Transparency International
UN	United Nations
UNCAC	U.N. Convention Against Corruption
UNDP	United Nations Development Programme
USAID	U.S. Agency for International Development

Appendix D—Audit Team Members

This report was prepared, and the audit work conducted, under the direction of David R. Warren, Assistant Inspector General for Audit, Office of the Special Inspector General for Iraq Reconstruction.

Staff members who contributed to the report include:

Robert Gabriel

Dan Haigler

Joan Hlinka

Philip Mastandrea

Management Comments
U.S. Embassy - Iraq

Embassy of the United States of America

The Ambassador

Baghdad, Iraq

July 28, 2008

Mr. Stuart Bowen
Inspector General
Special Inspector General for Iraq
Baghdad, Iraq

Dear Mr. Bowen:

Thank you for the opportunity to review the draft report on U.S. anti-corruption efforts in Iraq. We believe the report should take into consideration the full context in which anti-corruption efforts have occurred in Iraq. Typical best practices and our experience apply to post-conflict operations. Iraq may now be entering a post-conflict environment, but in the past, the unique security situation has usually rendered inapplicable those lessons learned in other post-conflict environments. Structural constraints that must be considered in assessing Iraq's anti-corruption progress to date include the ubiquitous threat of violence, nascent political institutions, and the legacy of the former regime that built into its mechanisms procedures designed specifically to advance its own corruption.

The report rightly points out the need for a comprehensive assessment of Iraq's corruption landscape and its anti-corruption needs. Such an assessment is a critical precondition for developing any effective system of metrics to measure Iraq's progress in enhancing its anti-corruption regime, not to mention, USG programs designed to further these goals. The traditional assessment process, however, has not been possible due to the violence and sometimes chaotic on-the-ground realities. Past efforts by the Embassy to evaluate and assess opportunities to commit corrupt acts have been repeatedly stymied by security concerns and the vulnerability of local officials.

Since the arrival of the Anti-Corruption Coordinator, the office has gone to great efforts to identify those best capable of providing such an assessment and only in recent months has the security situation made the prospect of conducting such an assessment appear feasible. In turn, our decision to allocate a large portion of reprogrammed IRRF funds to the United Nations was predicated on the strong record of the UN Office of Drugs and Crime (UNODC) of working with member nations on detailed self-assessments as part of their compliance with the UN Convention Against Corruption, to which Iraq acceded earlier this year. ACCO is also actively pursuing expertise from the World Bank and other academic resources.

The SIGIR report alludes to a GOI anti-corruption strategy. The reality is more complex, with often competing currents within the GOI. There is no comprehensive GOI anti-corruption strategy. While the Prime Minister's office issued an 18-point way forward

for Iraq's anti-corruption efforts in January, its interests and vision are not always in sync with those of the independent anti-corruption agencies or the legislature. Thus, while we have shared our approach and projects with our Iraqi counterparts, all elements of the GOI do not necessarily share our assessments or fully endorse what needs to be done. Success will ultimately require full engagement by senior Iraqi officials of all branches of government to fend off the temptation to rely upon unlawful patronage in order to govern.

The report also criticizes the ACCO strategy for not promoting anti-corruption programming at the local level. A large portion of the IRRF funding is slated to go to the UNDP, specifically to support anti-corruption institutions at the regional and provincial levels.

Coordination between ACCO and MNSTC-I is progressing. Meetings have been held by and between staffs on anti-corruption issues, initiatives and programs relating to the common scope of IG endeavors and related training requirements in the areas of inspections and audit. In July, the Iraqi MoI and MOD hosted an anti-corruption strategic planning conference, to which ACCO presented a briefing on USG initiatives across all Iraqi ministries. Iraqi MOI staff briefed a strategic plan for the Iraqi MOI and MOD IGs which nested with ACCO strategic planning. Furthermore, MNSTC-I is an active participant in the ACCO-chaired Anti-Corruption Working Group. We also note that the SIGIR audit report methodology did not call for any interviews of MNSTC-I personnel to include IG staff, nor request any documentation from MNSTC-I.

Having no dedicated funding for anti-corruption programming has limited ACCO's ability to prioritize programming needs. The reprogrammed IRRF funding, for which Congress has been formally notified, represent the first dedicated supply of funds this office, or previous iterations of it, has ever received. Nonetheless, an often motley array of funding sources has enabled training and technical assistance that track with ACCO's strategic goals. In one example, despite the comments from the JACC to SIGIR, more USG funds are now being spent on the IGs at any time since their creation thanks to INL-funded training provided by USAID's Tatweer Program.

We also noted a few factual errors and misrepresentations in the report. The low number of cases that the Commission on Integrity (COI) is credited with processing unfairly characterizes the COI's efforts. The 241 cases referred to in the report are those cases where the judicial process is complete and the accused found guilty. And, of course, in some cases, the process is ongoing. It must also be noted that these figures are indicative of problems in the court system as a whole, not just those related to corruption; similar problems have been noticed in terrorism cases and other high-profile court matters. Moreover, the numbers do not account for cases dismissed under the Amnesty Law. The mention of 136(B) applies to all proceedings, not just those for corruption. Similarly, the April 1 administrative order from the Prime Minister's Office applies to all ministries, not just the COI.

Regarding staffing, the Program Manager position was filled in June. ACCO intends to select a Deputy this week. This leaves only one vacancy in the office.

I hope these remarks are helpful.

Sincerely,

Ryan C. Crocker

Management Comments
Multi-National Security Transition Command-Iraq

MULTI-NATIONAL SECURITY TRANSITION COMMAND-IRAQ
BAGHDAD, IRAQ
APO AE 09348

REPLY TO
ATTENTION OF:

MNSTC-I-IG

21 Jul 2008

MEMORANDUM FOR Special Inspector General for Iraqi Reconstruction

SUBJECT: Anticorruption Efforts in Iraq: U.S. and Iraq Take Actions but Much Remains To Be Done

1. This memorandum provides the Multi-National Security Transition Command-Iraq (MNSTC-I) response to the subject draft report dated 11 July. The following CRITICAL COMMENT is submitted to the subject report, pertaining to the numerous references in the Draft Report to the effect that MNF-I/MNSTC-I does not coordinate or cooperate with the United States Embassy Anticorruption Coordination Office (USEMB ACCO).

2. The MNSTC-I IG office functions as the primary interface for the coalition –and ACCO- to the Ministry of Defense and Ministry of Interior. The MNSTC-I IG has maintained routine communication and coordination with ACCO since the inception of ACCO. Meetings have been held by and between staffs on anticorruption issues, initiatives and programs; particularly as issues, initiatives and programs relate to the common scope of IG endeavors and related training requirements in the areas of inspections and audit.

3. Most recently, the Iraqi MoI and MOD hosted an Anticorruption Strategic Planning Conference in the IZ in July 2008. The MNSTC-I IG, serving as the principal MoI-MOD Advisor, ensured that the ACCO was invited to attend. The conference was attended by approximately 150-175 Iraqi IGs, representing staff from numerous GOI ministries in addition to MOI and MOD. ACCO staff attended and presented a briefing on US anticorruption initiatives across all Iraqi ministries. And Iraqi MOI staff briefed a strategic plan for the Iraqi MOI and MOD IGs –this plan nests with ACCO strategic planning goals, objectives and end state illustrating MOI buy-in with US IG strategic objectives.

4. Furthermore, the MNSTC-I IG is a sitting member of the ACCO-chaired Anticorruption Working Group and has participated in working group meetings; offering updates on MoD and MoI anticorruption initiatives. The observation set out in the subject report to the effect that no formal mechanism requires civil-military cooperation between MNF-I/MNSTC-I and the ACCO is inaccurate and misleading. MNSTC-I understands that ACCO is the US lead in Theater and exercises prerogative on strategic aims, initiatives and program implementation through close coordination demonstrated in the w/g. MNSTC-I needs no formal directive, MOU or MOA with ACCO to follow the ACCO lead in accomplishment of common IG aims, goals and strategic objectives.

5. The MNSTC-I IG office remains committed to coordinate with the ACCO on all anticorruption activities underway within the MoD and MoI through its relationship with ACCO that is in place. A consolidated, pan-ministry anticorruption effort in Iraq

to build anticorruption capacity within the GoI will continue to be a primary objective of this office; as ACCO and MNSTC-I work seamlessly toward that end state. Finally, the SIGR audit report methodology did not call for any interviews of MNSTC-I personnel, including IG and staff. In fact during the conduct of the audit, SIGR auditors did not meet with MNSTC-I staff or make any document calls from MNSTC-I.

6. Thank you for the opportunity to provide written comments for incorporation in the final report. If you have any question please contact the undersigned at DSN 852-1557 or email Robert.Schroeder@iraq.centcom.mil.

BOBBY SCHROEDER
Col, USMC
The Inspector General

SIGIR's Mission	Regarding the U.S. reconstruction plans, programs, and operations in Iraq, the Special Inspector General for Iraq Reconstruction provides independent and objective: • oversight and review through comprehensive audits, inspections, and investigations • advice and recommendations on policies to promote economy, efficiency, and effectiveness • deterrence of malfeasance through the prevention and detection of fraud, waste, and abuse • information and analysis to the Secretary of State, the Secretary of Defense, the Congress, and the American people through Quarterly Reports
Obtaining Copies of SIGIR Reports and Testimonies	To obtain copies of SIGIR documents at no cost, go to SIGIR's Web site (www.sigir.mil).
To Report Fraud, Waste, and Abuse in Iraq Relief and Reconstruction Programs	Help prevent fraud, waste, and abuse by reporting suspicious or illegal activities to the SIGIR Hotline: • Web: www.sigir.mil/submit_fraud.html • Phone: 703-602-4063 • Toll Free: 866-301-2003
Congressional Affairs	Hillel Weinberg Assistant Inspector General for Congressional Affairs Mail: Office of the Special Inspector General for Iraq Reconstruction 400 Army Navy Drive Arlington, VA 22202-4704 Phone: 703-428-1059 Email: hillel.weinberg@sigir.mil
Public Affairs	Kristine R. Belisle Director for Public Affairs Mail: Office of the Special Inspector General for Iraq Reconstruction 400 Army Navy Drive Arlington, VA 22202-4704 Phone: 703-428-1217 Fax: 703-428-0818 Email: PublicAffairs@sigir.mil