

The background of the page features a large, faint watermark of the seal of the Office of the Special Inspector General for Iraq Reconstruction. The seal is circular and contains the text "INSPECTOR GENERAL" at the top and "RECONSTRUCTION" at the bottom, with Arabic text in between. In the center of the seal is the Great Seal of the United States, featuring an eagle with a shield, holding an olive branch and arrows, with a constellation of stars above its head.

JOINT SURVEY  
OF THE U.S. EMBASSY-IRAQ'S  
ANTICORRUPTION PROGRAM

**SIGIR-06-021**  
**JULY 28, 2006**



## SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

July 28, 2006

MEMORANDUM FOR U.S. AMBASSADOR TO IRAQ  
DIRECTOR, IRAQ RECONSTRUCTION MANAGEMENT  
OFFICE

SUBJECT: Joint Survey of the U.S. Embassy-Iraq's Anticorruption Program  
(SIGIR-06-021)

We are providing this audit report for your information and use. We performed the audit in accordance with our statutory duties contained in Public Law 108-106, as amended, which requires that we provide for the independent and objective conduct of audits, as well as leadership and coordination of and recommendations on policies designed to promote economy, efficiency, and effectiveness in the administration of Iraq relief and reconstruction programs and operations and to prevent and detect waste, fraud and abuse. This report discusses the results of a joint Special Inspector General for Iraq Reconstruction (SIGIR) and Department of State Inspector General review and analysis of the U.S. Embassy-Iraq's Anticorruption Program. This report presents SIGIR's position on the results of this work.

We considered management comments from the U.S. Embassy-Iraq on a draft of this report when preparing the final report. Its comments are addressed in the report where applicable, and a copy of its comments is included in the Management Comments section of this report.

We appreciate the courtesies extended to the staff. For additional information on this report, please contact Mr. Joseph T. McDermott at (703) 343-7926, or by email at [joseph.mcdermott@iraq.centcom.mil](mailto:joseph.mcdermott@iraq.centcom.mil); or Mr. Clifton Spruill at (703) 343-9275; or by email at [clifton.spruill@iraq.centcom.mil](mailto:clifton.spruill@iraq.centcom.mil). For the final report distribution, see Appendix F.

A handwritten signature in black ink that reads "Stuart W. Bowen, Jr." followed by a period.

Stuart W. Bowen, Jr.  
Inspector General

cc: Distribution

# Special Inspector General for Iraq Reconstruction

SIGIR-06-021

July 28, 2006

## Joint Survey of the U.S. Embassy-Iraq's Anticorruption Program

### Executive Summary

**Introduction.** Corruption in Iraq siphons resources from needed government services and reduces the willingness of international investors to invest in Iraq. It has been identified as a major barrier to establishing citizens' trust and confidence in their government and to improving economic growth and prosperity. Unless reforms are put in place, corruption may jeopardize the political stability of the new government. The U.S. Embassy-Iraq has identified assisting the Iraqi government in its efforts to reduce corruption as one of its highest priorities.

The Special Inspector General for Iraq Reconstruction (SIGIR) and the Department of State, Office of the Inspector General, jointly initiated this survey of the U.S. Embassy-Iraq's Anticorruption Program at the request of the U.S. Ambassador to Iraq. The work was primarily performed within the International Zone in Baghdad, Iraq, and in Washington, D.C. This product reports SIGIR's position on the results of the joint work that address the survey objectives.

**Objectives.** The objectives of this survey were to determine (1) which U.S. government agencies participate in the anticorruption program in Iraq, and whether they have a coordinated strategic plan with identified goals; (2) whether program outcomes and metrics have been established to measure progress and success; and (3) whether organizational roles and responsibilities have been clearly identified and resources provided to meet the program goals. In addition, the survey was to identify international leading practices from other organizations that have had successful experience in reducing corruption. We did not compare the U.S. Embassy-Iraq initiatives to the lessons learned from these leading practices since the joint U.S.-Iraq Anticorruption Working Group is still in the formulation stage. We plan to do this comparison in a future review. We also provide other observations we made during the survey that related to the anticorruption program.

**Results.** Since the start of the Coalition Provisional Authority in June 2004, the U.S. government has been working with the Iraqi government to establish organizations, systems, training, and an environment to increase citizens' trust and confidence in the Iraqi government and to increase the transparency and accountability of overall government operations. However, because of many other priorities, these efforts have not been focused and adequate leadership resources have not been provided. Both of these conditions have been recognized and the U.S. Embassy-Iraq has initiated action to address these shortfalls. We identified that U.S. government expenditures on anticorruption activities has been modest when compared to the total spent for Iraq reconstruction.

Total funding for ongoing and planned anticorruption activities through June 15, 2006, was approximately \$65 million, or less than .003% of the total IRRF funding to date. However, we also did not identify nor has the U.S Embassy-Iraq made a case for

additional funding, other than the need to add additional staff to improve overall leadership and program continuity.

In late 2005, the U.S. Embassy-Iraq reconstituted its Anticorruption Working Group (ACWG) and in December 2005 released its strategic plan for reducing corruption in Iraq. The ACWG is comprised of the following organizations:<sup>1</sup>

- Economic Counselor, U.S. Embassy-Iraq (ACWG chairman)
- Political Affairs Section, U.S. Embassy-Iraq
- Political-Military Affairs Section, U.S. Embassy-Iraq
- Public Affairs Section, U.S. Embassy-Iraq
- Foreign Commercial Service, U.S. Embassy-Iraq
- Iraq Reconstruction Management Office Liaison to the Commission on Public Integrity
- Department of Justice
- U.S. Agency for International Development
- Bureau of International Narcotics and Law Enforcement Affairs, U.S. Department of State
- U.S. Department of Treasury
- Multi-National Force-Iraq Inspector General
- Strategic Effects, Multi-National Force-Iraq
- Multi-National Security Transition Command-Iraq

The ACWG's strategic plan focuses on reforms in three areas: Market Reforms; Financial Transparency; and Public Integrity. At the time of this report, the ACWG was considering adding a fourth area – Technical and Law Enforcement Measures. The plan also establishes specific goals for each area. For example, some Market Reform goals are to reverse the trend of capital leaving the country and assist the market economy through market pricing of goods and services. Examples of strategic goals in the other areas include establishing transparent budget and procurement procedures, and increasing the number of anticorruption investigations. A full listing of the goals for each area is in Appendix B of this report.

In support of its strategy, the ACWG has established indicators for measuring the progress of its planned activities. For example, a goal in the first year for financial transparency is for the Iraqi government to develop the ability to monitor financial transactions within the public and private sectors. The indicator is the government-wide installation of a financial management information system. In general, our review of the indicators for the individual goals and objectives found that they are well-defined, and measurable. However, indicators for measuring the outcomes of the overall ACWG strategic activities (e.g., the reduction of corruption across Iraqi society) have not yet been established.

At present, a clear delineation of each participating U.S. organization's roles and responsibilities is pending development while the ACWG gathers data on each organization's ongoing programs and projects. Many of the ACWG participating agencies had anticorruption activities ongoing when the ACWG was revitalized and the

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<sup>1</sup> SIGIR attends these meetings as an observer.

ACWG is conducting an inventory of all ongoing anticorruption activities to identify areas of duplication and to determine where additional coordination is needed. For example, three ACWG members have outreach programs ongoing that could be duplicative. According to the ACWG Chairman, delineating roles and responsibilities and coordinating activities is somewhat hampered by a lack of cooperation, and the unwillingness of some members to share information on programs and projects. Some members also lack a commitment to a common strategy and goal.

While there has been some improvement in sharing information and cooperation, mainly through the efforts of the ACWG Chairman, more could be done. Currently, there is no single office that has the authority or responsibility for oversight and to ensure all anticorruption efforts are focused on a common goal or that efforts are being performed in the most efficient manner. This lack of a single point of contact on the U.S. government side will become more acute as the Iraqi government consolidates its anti-corruption efforts. It is important that the wide range of initiatives being undertaken by the ACWG members; Multi-National Force-Iraq; Multi-National Security Transition Command-Iraq; and the Embassy be fully coordinated with the Iraqi government. This includes presenting a coherent set of programs to the Prime Minister and the staff he has designated to work the issue on his behalf.

**Recommendations.** Based on our results of survey, we recommend to the U.S. Ambassador to Iraq:

1. In response to the request from the U.S. Embassy-Iraq's Economic Counselor, provide the necessary resources to have sufficient direction and oversight of the U.S. Embassy's anticorruption program, including a senior leader from the Department of State and a senior officer from the Multi-National Force-Iraq. Both of these positions should be filled with staff that has such a background to bring value to the position.
2. Continue the ongoing efforts to recruit an Iraqi local national staff member to provide support to the full-time Anticorruption Program Manager. This individual should have the necessary skills and rank to be instrumental in forging joint U.S.-Iraqi anticorruption initiatives.
3. Establish a joint executive steering group, with the Anticorruption Program Manager as the chairperson, that would have oversight on all U.S. government anticorruption programs to ensure that all initiatives are working toward a common goal in the most efficient and effective manner.
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.
5. Establish a policy that will require all participating organizations to vet new anticorruption initiatives through the new joint executive steering group.
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.
7. Direct the members of the ACWG to develop action plans for each activity's program in concert with the overall strategic goals.
8. Establish a baseline for each anticorruption program to document a starting point for the program in order to measure progress.

9. Establish interim and long term objective(s) for each anticorruption program consistent with the overall anticorruption program strategy.
10. Engage the Iraqi anticorruption counterparts within the new government and establish the joint U.S.-Iraq Anticorruption Working Group.
11. Encourage the new Iraqi government to establish its own anticorruption working groups with regional and international partners.

***Prior Report and Management Actions Related to Recommendations Made Related to Anticorruption Initiatives.*** In October 2005, U.S. Department of State, Office of Inspector General issued Report of Inspection, “Inspection of Rule-of-Law Programs, Embassy Baghdad.” The report made 21 recommendations regarding Rule of Law initiatives. Recommendation number 20 in the report directly addressed anticorruption and specifically stated, “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”. The institutions referred to were the Board of Supreme Audit, Ministry Inspectors General, and the Commission on Public Integrity.

The U.S. Embassy response to this recommendation was “generally supports this concept. However, this proposal requires agreement among several entities of the Iraqi government as well as significant commitments of funds and personnel. Embassy will continue to evaluate the viability of this concept and its likely benefits vis-a-vis other proposals.”

Our review disclosed that, although the Iraqi government has provided initial funds to the Commission on Public Integrity to establish this initiative, the recommendation continues to be evaluated by the U.S. Embassy-Iraq, and no further progress has been made in obtaining a facility for all three anticorruption institutions.

**Recommendations.** Based on this prior review and the results of our review, we are adding additional recommendations for the U.S. Embassy:

12. 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 Ministry Inspectors General with special emphasis on requirements that apply to all four institutions.
  - b. Prioritize the identified training requirements.
  - c. Identify training solutions for those requirements that can cut across multiple institutions to avoid duplication and maximize resources.

**Management Comments and Audit Response.** We received comments from the U.S. Embassy-Iraq, who concurred with our findings and recommendations. Actions are being planned or are underway to implement the recommendations. Among the actions the Embassy Staff is taking is the appointment of a senior foreign service officer to supervise the anticorruption program, and the establishment of a joint executive steering group that will have oversight on all U.S. government anticorruption programs. We consider the Embassy’s comments to be fully responsive to our report.

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# Introduction

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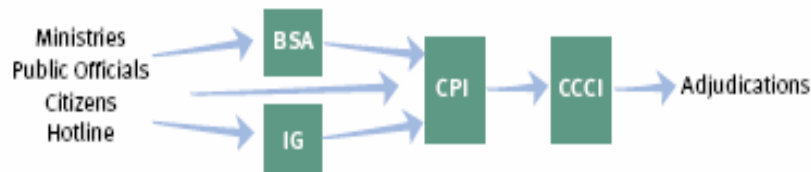
## Background

In its October 30, 2005, Quarterly Report to the United States Congress, the Special Inspector General for Iraq Reconstruction (SIGIR), identified corruption within Iraqi society as a serious threat to the country's progress toward prosperity. Corruption was endemic in the prior regime, and the legacy of corruption still burdens the country. For example, Iraq reportedly loses more than \$2 billion annually in stolen gasoline and diesel supplies.<sup>2</sup>

Assisting Iraqi government institutions in their fight against corruption is an important U.S. policy objective. Corruption directly undermines the effectiveness of the U.S. reconstruction effort and impedes Iraq's progress toward becoming a democratic, market-oriented society. For this reason, and because the Iraq Relief and Reconstruction Fund (IRRF) directly supports important U.S. anticorruption programs in Iraq, SIGIR and the Department of State's (DoS) Office of the Inspector General (OIG) continue to pay close attention to U.S. support for Iraqi anticorruption efforts.

Since inception of the Coalition Provisional Authority (CPA) in June 2004, the U.S. government has been working with the Iraqi government to establish organizations, systems, training, and an environment to increase citizens' trust and confidence in the Iraqi government and the transparency and accountability of overall government operations. The CPA issued several orders and established service organizations to improve accountability within the interim Iraqi government, which remain in effect today. For example, the CPA introduced an order to require financial disclosure reporting by senior Iraqi government officials, including police and army officers from the rank of captain and above, to identify potential or implied conflicts of interest in the conduct of responsibility. In establishing the service organizations for integrity and accountability, CPA recognized the need to continue the work of the Board of Supreme Audit (BSA) and established the Commission on Public Integrity (CPI), the Central Criminal Court of Iraq (CCCI), and the Inspectors General (IG) offices in each of the ministries (see Figure 1). For the process flowchart descriptions of the Iraqi Anticorruption Accountability Organizations, see appendix D.

Figure 1.  
**ANTICORRUPTION ACCOUNTABILITY ORGANIZATIONS  
PROCESS FLOWCHART**



However, beginning in the last half of 2005, high-level officials within the U.S. government expressed a growing dissatisfaction with the efforts of the U.S. Embassy's anticorruption campaign in Iraq. On November 12, 2005, at SIGIR's urging, the U.S. Ambassador to Iraq held an Anticorruption Summit. Participants at this summit included both U.S. and Iraqi officials

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



with direct responsibilities in the anticorruption efforts in Iraq. The summit resulted in the rejuvenation of a previously inactive U.S. Embassy Anticorruption Working Group (ACWG) under the chairmanship of the U.S. Embassy's Economic Counselor. Another planned outcome of the summit meeting was to create a joint U.S.-Iraqi Anticorruption Working Group.

In addition to the ACWG, the U.S. Embassy established the Ministerial Transition Action Group to help address Iraqi corruption issues. The Ministerial Transition Action Group was created to influence and support the transition of the interim Iraqi Transitional Government to the newly elected Iraqi government without major disruption to critical ministry functions or to governance capacity building programs. The Ministerial Transition Action Group prepared a ministry transition action plan, dated December 26, 2005, that includes, among others, sections on continuity of governance, retention of key personnel and assets, and anticorruption. The anticorruption section discusses the involvement of various Iraqi public integrity institutions such as the Board of Supreme Audit, Commission on Public Integrity, Central Criminal Court of Iraq, and the Ministry Inspectors General. The action plan calls for raising public awareness among Iraqi citizens of the new government's anticorruption message and its interest in fighting corruption. SIGIR attends the weekly Ministerial Transition Action Group meetings as an observer.

## Objectives

The objectives of this survey were to determine:

- which U.S. government agencies participate in the anticorruption program in Iraq, and whether they have a coordinated strategic plan with identified goals
- whether program outcomes and metrics been established to measure progress and success
- whether organizational roles and responsibilities have been clearly identified and resources provided to meet the program goals

In addition, the survey identified international leading practices from other organizations that have had successful experience in reducing corruption. We did not compare the U.S. Embassy-Iraq initiatives to the lessons learned from these leading practices since the joint U.S.-Iraq Anticorruption Working Group is still in the formulation stage. We plan to do this comparison in a future review. We also provide other observations we made during the survey that related to the anticorruption program.

For a discussion of the audit scope and methodology and prior coverage, see Appendix A. For the U.S. Embassy Anticorruption Strategic Goals and Objectives, see Appendix B. For a list of anticorruption initiatives and related funding, see Appendix C. For a description of the Iraqi Anticorruption Accountability Organizations, see Appendix D. For definitions of the acronyms used in this report, see Appendix E. For a list of the survey team members, see Appendix G.

# U.S. Embassy Anticorruption Working Group Program Strategy

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In late 2005, the U.S. Embassy-Iraq reconstituted its anticorruption working group and in December 2005, the working group released its strategic plan for reducing the level of corruption in Iraq.

In November 2005, at the urging of SIGIR, the U.S. Ambassador to Iraq convened an anticorruption summit that brought together both U.S. and Iraqi officials. The summit resulted in rejuvenating a previously inactive U.S. Embassy Anticorruption Working Group (ACWG) and placing it under the leadership of the U.S. Embassy's Economic Counselor. The aim of the ACWG was to develop an anticorruption strategy and to coordinate all U.S.-led anticorruption activities with this strategy. These are the participating organizations<sup>3</sup>:

- Economic Counselor, U.S. Embassy-Iraq (ACWG chairman)
- Political Affairs Section, U.S. Embassy-Iraq
- Political-Military Affairs Section, U.S. Embassy-Iraq
- Public Affairs Section, U.S. Embassy-Iraq
- Foreign Commercial Service, U.S. Embassy-Iraq
- Iraq Reconstruction Management Office Liaison to the Commission on Public Integrity
- Department of Justice
- U.S. Agency for International Development
- Bureau of International Narcotics and Law Enforcement Affairs, U.S. Department of State
- U.S. Department of Treasury
- Multi-National Force-Iraq Inspector General
- Strategic Effects, Multi-National Force-Iraq
- Multi-National Security Transition Command-Iraq

On December 28, 2005, the ACWG issued its first Anticorruption Strategy. Essentially, the strategy focuses on reforms in three areas: Market Reforms; Financial Transparency; and Public Integrity, and establishes specific desired end-states for each reform area. The desired end-states for the three areas are:

- **Market Reforms:** A functioning market economy with market pricing of goods and services, and a reversal of the trend of capital leaving the country.
- **Financial Transparency:** An Iraqi government with standardized, transparent budget and procurement procedures that is an active partner with regional states, trading partners, potential investors and donors in investigating and combating corruption.
- **Public Integrity:** An Iraqi government that adheres to the rule of law and is capable of ensuring that government, donor, and international financial institution resources are effectively used on behalf of its people.

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<sup>3</sup> SIGIR attends the working group meetings as an observer.

At the time of this report, the ACWG was considering adding a fourth area – Technical and Law Enforcement Measures – which would spell out specific implementation actions that would be targeted for the short, medium and long-term. Currently, the U.S. Embassy Anticorruption Strategy is on its fourth iteration.

The ACWG Chairman describes the mission efforts to achieve these end states as wide-ranging, and at different levels of development. Nonetheless, each desired end-state is supported by goals and objectives and a time line for achievement. For example, in Market Reforms the first year goals are to:

- continue subsidy reforms for oil and gas
- establish more comprehensive billing practices for electric power
- reintroduce electrical tariff reform to the National Assembly
- educate public decision makers on the link between corruption and the absence of market reform
- introduce legislation to promote foreign direct investment

For a full listing of the goals and objectives for each reform area, see Appendix B.

Based on our analysis of the strategic goals and objectives for achieving each of the reforms, we believe the activities are well thought out and appropriate to the goals. However, managing a task of this scope is likely to require additional resources. At present, the leadership of the ACWG is vested part time in the U.S. Embassy-Iraq's Economic Counselor. The Economic Counselor has recognized the need for additional resources and has prepared a request to the Ambassador for additional support to include one full time Foreign Service Officer and one full time resource from the Multi-National Force-Iraq. In addition, actions are underway to identify a locally employed staff member to provide continuity and to facilitate U.S.-Iraq joint integration issues.

# Anticorruption Program Outcomes and Metrics

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No mechanism has yet been established for regular review of the various anticorruption programs and how they help to achieve overall strategic goals. However, the ACWG has established indicators for measuring the progress of each of its planned activities. In general, our review of the activity indicators for individual reform goals and objectives found that they are well-defined, and measurable.

At present, the ACWG has not established indicators for measuring the outcomes of its overall strategic activities (e.g., the reduction of corruption across Iraqi society) and how well its programs are helping to achieve strategic goals. We believe a mechanism needs to be established for regular reviews of the anticorruption program and assessing how well each of the anticorruption programs relate to and help achieve the U.S. government's strategic goals for anticorruption. Metrics may also prove to be useful in measuring program progress. For example, a qualitative measure, such as the Corruption Perception Index, maintained by Transparency International, could be used. Currently, the Corruption Perception Index ranks Iraq as the 21<sup>st</sup> most corrupt country. This perception index rating 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 are utilizing surveys to measure progress, but this is a new initiative.

As stated, the ACWG and its member organizations have done a good job of identifying bench marks and indicators for measuring progress toward individual goals. Each desired end-state is supported by goals and objectives and a timeline for achievement and each of those goals and objectives is supported by an indicator that allows measurement of progress. For example, a year one goal for market reforms is to continue subsidy reforms in oil and gas. The International Monetary Fund has established subsidy targets for these commodities, and measuring progress towards those targets provides a measure of the success of the ACWG's activities. Similarly, a public integrity reform goal is the investigation and prosecution of corruption cases. The indicator for activities addressing this goal is the number of investigations referred to courts.

While metrics have been established for measuring progress toward individual goals, it should be noted that some indicators are not short term and may take years to accomplish. For example, the Multi-National Security Transition Command-Iraq (MNSTC-I) has developed and supports an Iraqi Center for Military Values, Principles, and Leadership. Its goal is to inform and influence key leaders, the military, the public, and other ethics compliance organizations. MNSTC-I has established 34 values they intend to convey through the Center. However, there is an expectation that it may take nearly two generations to fully realize these outcomes. According to MNSTC-I officials, they only expect to achieve 5 or 6 of the values during the first 2 to 3 years of the program.

# Organizational Roles and Responsibilities, Resources, and Other Available Support

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At present, a clear delineation of each participating U.S. organization's role and responsibilities is pending development while the ACWG gathers data on all ongoing programs and projects. Many of the ACWG participating agencies had anticorruption activities ongoing when the ACWG was revitalized and the ACWG is conducting an inventory of all ongoing anticorruption activities to identify areas of duplication and to determine where additional coordination is needed. Moreover, the role and responsibilities of Iraqi organizations in combating corruption remains unknown because of delays in forming the new Iraqi government and uncertainty over the roles the four Iraqi government institutions involved in anticorruption will play. Further, we identified that a relatively modest amount of U.S. resources are currently available for anticorruption program activities when compared to the total U.S. reconstruction funding for Iraq. However, we did not identify, nor has the ACWG made a case for, additional funding other than the need to add additional staff to provide overall leadership and program continuity.

**U.S. Organizations Roles, Responsibilities and Coordination.** While the ACWG has moved forward by identifying individual programs, the roles and responsibilities have not been fully determined for each of the U.S. organizations involved in anticorruption activities. According to the ACWG Chairman, an inventory of ongoing activities is a necessary first step in assigning and coordinating roles and responsibilities. However, in a February 2006 briefing to the Deputy Chief of Mission on "Anti-Corruption Efforts in Iraq," the ACWG Chairman said that the completion of the inventory has been hampered by a lack of cooperation and acceptance of a common strategy and goal by some of the participating organizations, as well as an unwillingness to share information on programs and projects. According to the ACWG Chairman, he has grown frustrated with learning about anticorruption initiatives after implementation rather than as part of a coordinated strategic approach that has been vetted by the ACWG. Learning about anticorruption initiatives, after the fact, does not allow for optimal coordination and utilization of available resources to achieve the ACWG's strategic goals. The solution is "a coordinated media approach, an inventory of all programs and projects, and the ACWG to coordinate Mission efforts."

One example of the lack of program coordination relates to the public education and outreach programs supporting anticorruption. The U.S. Embassy's Public Affairs Section, the Iraq Reconstruction Management Office's senior consultant to the Commission on Public Integrity, and U.S. Agency for International Development (USAID) are the primary organizations involved in this effort. Discussions that arose during our attendance at the weekly ACWG meetings indicated that these organizations have not always been fully aware of the public education and outreach work being performed by each other and could benefit from stronger interagency coordination. Recently, the ACWG established a media sub-group to ensure that all those working with the media are aware of the initiatives of each organization.

Training is another example of an area that could benefit from better coordination. Four Iraqi institutions comprise the main infrastructure for Iraqi anticorruption efforts. They are: the Central Criminal Court of Iraq; Commission on Public Integrity; Board of Supreme Audit; and, the ministry inspectors general. Appendix D outlines some key responsibilities and provides a process flowchart on how each institution interacts within the anticorruption system. Training has been uneven with the Commission on Public Integrity and Central Criminal Court of Iraq receiving the most attention and the Board of Supreme Auditors and Ministry Inspectors General the least. Some discussion has taken place regarding the establishment of training facilities for the various institutions that range from one central facility for all institutions to separate facilities for each institution. The ACWG should identify the training requirements of these accountability organizations with special emphasis on core requirements that apply to all four

institutions, prioritize those requirements, and identify training solutions for them that can cut across multiple institutions to avoid duplication and optimize the use of scarce resources. This will also lead to these organizations working closer together and recognition of how each of their efforts collectively could achieve greater results. To its credit, the ACWG has begun efforts to focus on the training issue by preparing an inventory of anticorruption programs and including discussions in group meetings about coordinating training to avoid duplication of effort but much remains to be done.

A critical component of the U.S. strategic plan is the creation of a joint U.S.-Iraq Anticorruption Working Group to help in establishing the reforms within Iraq. The pace of the formation of an Iraqi government has delayed creation of this working group. More importantly in the near term, to demonstrate to the Iraqi people its government's political will and to help restore public confidence in the integrity of their government, anticorruption initiatives must be Iraqi-led initiatives with the U.S. providing assistance.

On May 17, 2006, we met with the Deputy Chief of Mission who stated the immediate focus of attention for the U.S. Embassy's Iraq mission (and for the Secretary of State) is the corruption that impacts on infrastructure integrity, particularly in the Ministries of Oil and Electricity. The Deputy Chief of Mission further stated that these infrastructures are critical to Iraq's future stability.

Another U.S. Embassy working group, the Infrastructure Integrity Task Force, chaired by the Embassy's Ambassador for Political-Military Affairs, also meets weekly and addresses corruption to a lesser extent, as well as sabotage, smuggling and theft within the oil and electricity sectors. This working group's focus is the protection of revenue-producing infrastructure and the effective delivery of essential services. The Coordinator for Infrastructure Integrity Issues also attends the ACWG weekly meetings. SIGIR now attends the weekly Infrastructure Integrity Task Force meetings as observers.

**Resources.** Precise calculation of funding related to anticorruption poses a challenge because it is often embedded in programs designed ostensibly for other purposes. For example, USAID has expended approximately \$10 million through April 2006 to install and implement the payment module of the electronic Iraqi Financial Management System. The primary purpose of the electronic payment system is to provide accountability and transparency for Iraqi government payments which should provide anticorruption benefits. The Multi-National Security Transition Command-Iraq is funding a \$143 million contract to, among other things; establish an Iraqi military leadership center for the Ministry of Defense. The leadership center will include training in the ethics and values required of a professional military but which should also have long-term anticorruption benefits.

However one measures the embedded anticorruption funding, the expenditure of U.S. government funds on anticorruption has been modest when compared to the total spent for Iraq reconstruction. Funding has come primarily from the Iraq Relief and Reconstruction Fund (IRRF), and the main conduits for government anticorruption funding have been USAID, the DoS Bureau of International Narcotics and Law Enforcement Affairs, the Department of Treasury, and Multi-National Security Transition Command-Iraq. Total funding for ongoing and planned anticorruption activities identified through June 15, 2006, was approximately \$65 million. This represents less than .003% of the total IRRF funding to date of over \$20.88 billion<sup>4</sup>. For an inventory of current and proposed anticorruption program funding, developed during this survey, see Appendix C.

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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 the reconstruction of Iraq.

Although, given that only a modest amount of funding for anticorruption has been identified, we did not identify nor has the ACWG made a case for additional funding, other than the need to add additional staff to provide overall leadership and program continuity. When the ACWG does focus more on its programs and required resources, additional U.S. funding for anticorruption programs beyond FY 2006 will be problematic at best, due to the decline of available IRRF funds as reconstruction enters its final phase and overall constraints on the U.S. budget. The recent formation of the Iraqi government provides a new opportunity to engage the government in initiatives that can institutionalize anticorruption reforms.

Challenges for the U.S. Embassy and anticorruption program officials include convincing the Iraqi government to commit sufficient Iraqi resources to reduce the level of corruption. Although we are seeing audit reports from several of the Ministry Inspectors General and the Board of Supreme Audit and investigative cases from the Commission on Public Integrity that are addressing corruption, Iraqi government support for anticorruption efforts has been uneven. For example, the Iraqi government committed to funding a training institute for the Commission on Public Integrity, but has largely neglected support for the inspectors general training.

Specifically, in October 2005, the DoS OIG issued a Report of Inspection, "Inspection of Rule-of-Law Programs, Embassy Baghdad." The report made 21 recommendations regarding Rule of Law initiatives, and the U.S. Embassy-Iraq was directly responsible for taking corrective actions for 13 of the recommendations. In addition, the U.S. Embassy-Iraq has coordination responsibilities for corrective actions on 3 of the remaining 8 recommendations, and 5 recommendations are the responsibility of other State Department sections or bureau for corrective actions.

Recommendation number 20 in the report directly addressed anticorruption and specifically stated, "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". The institutions referred to were the Board of Supreme Audit, Ministry Inspectors General, and the Commission on Public Integrity.

The U.S. Embassy response to this recommendation was "generally supports this concept. However, this proposal requires agreement among several entities of the Iraqi government as well as significant commitments of funds and personnel. Embassy will continue to evaluate the viability of this concept and its likely benefits vis-a-vis other proposals."

Our review disclosed that although the Iraqi government has provided initial funds to the Commission on Public Integrity to establish this initiative, the recommendation continues to be evaluated by the U.S. Embassy-Iraq, and no further progress has been made in obtaining a facility for all three anticorruption institutions.

On May 18, 2006, we met with Ministry of Interior officials, the Interior Inspector General, and the Inspector General's Audit Director. Through a translator, we spoke to the Audit Director about the challenges faced in providing oversight to Ministry of Interior programs. The Audit Director stated that he has six auditors to review Ministry of Interior programs and only one computer to support the six auditors. According to the Audit Director he needs 70 auditors to provide adequate oversight of Interior programs throughout the country. If the Iraqi government hopes to institutionalize anticorruption reforms, adequate resources and independent budgets are needed for all the accountability organizations and their auditors, inspectors and investigators. The issue of adequate resources should be addressed by the joint U.S.-Iraq Anticorruption Working Group.

Further, security concerns, the lack of a permanent full-time Iraqi government, and corruption perceptions, have constrained the full participation of international donors in Iraq reconstruction and development to date. Even so, international donors have provided funding for various Iraqi projects through mechanisms such as the International Reconstruction Fund Facility for Iraq which includes the World Bank International Trust Fund and the United Nations Development Group's Iraq Trust Fund. Twenty-six donors have pledged \$1.4 billion to the International Reconstruction Fund Facility for Iraq. Anticorruption funding from these sources has been limited to date although that appears to be changing. For example, the United Nations Development Group recently financed a \$4.8 million project to have the Audit Board of Jordan provide training to Iraq's Board of Supreme Audit over an 18 month period. In addition, the International Compact for Iraq<sup>5</sup> has identified donors who may become involved in anticorruption projects.

On May 20, 2006, the newly appointed Iraqi Prime Minister, in presenting the newly formed 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 forming of the new Iraqi government will set the stage for a critical U.S. anticorruption initiative, the joint U.S.-Iraq Anticorruption Working Group, to provide focused joint attention on anticorruption issues. Until recently, the pace of government formation precluded this initiative. On June 20, 2006, we met with the Deputy Prime Minister who informed us that corruption was getting worse and that anticorruption initiatives are a high priority for the new Iraqi government. He further stated the types of international assistance needed, among other support, to include training and assistance in developing new policies and processes for procurement and financial management.

**Other Available Support.** During the course of this survey, we noted several U.S. and international organizations that have offered or may be able to provide support to the Iraqi government in establishing its anticorruption programs. These are our observations:

- In January 2006, the U.S. Comptroller General, head of the U.S. Government Accountability Office, visited Iraq and met with the President of the Board of Supreme Audit, at which time he pledged assistance in providing training. The President's Council on Integrity and Efficiency which is comprised of various U.S. Offices of Inspectors General, also pledged to provide assistance to support the Ministry Inspectors General offices<sup>6</sup>.
- The World Bank recently announced an expansion of its presence in Iraq. It recognizes the importance of reducing corruption and hopes to hold an anticorruption workshop in the near future that would include representatives from, among others, Iraq's accountability organizations; the U.S. Department of Justice; and the U.S. Special Inspector General for Iraq Reconstruction. The World Bank recently performed an Operation Procurement Review and could be engaged to assist with developing procurement standards and appropriate changes to ensure procurement transparency.
- Members of the Coalition are also participating in Iraq's anticorruption capacity building. The British Embassy in Baghdad sends a representative who periodically attends the ACWG meetings. The British representative mentioned an interest in working on training issues with the anticorruption entities. In addition, the United Kingdom's National Board of Audits has conducted some anticorruption training for Board of Supreme Audit auditors in Amman, Jordan.

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<sup>5</sup> The International Compact for Iraq is a new initiative that addresses international support for long term initiatives including anticorruption.

<sup>6</sup> President's Council on Integrity and Efficiency, proposal for Supporting Iraqi IG System – A nation building initiative, dated February 10, 2006.



- The Board of Supreme Audit is a member of the International Organization of Supreme Audit Institutions and it may benefit from a training offer from the Kingdom of Morocco's supreme audit agency. There is also a regional subgroup, the Arab Organization of the Supreme Audit Institutes, which could be a regional support group for the Iraqi accountability organizations.

As illustrated, there are multiple sources of potential and actual support<sup>7</sup> for assisting the Iraqi accountability offices in their efforts to fight corruption. However, we did not identify any single source for coordinating outreach to this type of support by the Iraqi government, the U.S. government, the Coalition, or international organizations. The issue of coordinating these resources could also be an initiative addressed by the joint U.S.-Iraq Anticorruption Working Group or an expansion of this joint work group to include a more international focus sometime in the future.

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<sup>7</sup> Our identification of sources is by no means complete. We identified many of these programs and efforts by means of informal sources.

# International Leading Practices for Reducing Corruption

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Modeling international leading practices in anticorruption could engender both the political will to fight corruption and the capability to do so in Iraq. Organizations such as Transparency International, the United Nations, the World Bank, the International Monetary Fund, the Organizational Commission on Economic Development, and the other international agencies for international development support anticorruption and good governance programs throughout the world. These organizations also monitor and report accomplishments and lessons learned in anticorruption. Such reports could provide good, solid support for the Iraqi government as it formulates a strategy to fight corruption and reinforces the need to implement the required laws and standards to obtain International support for the new government.

Another example of international assistance is the United Nations Convention that was adopted on October 31, 2003. According to the United Nations, this is the first legally binding instrument to combat corruption. The United Nations Convention Against Corruption (UNCAC) creates the opportunity to develop a global language about corruption and a coherent implementation strategy. As part of the United Nations efforts to assist countries in implementing its conventions, they are providing various resources.

In order to gain citizens trust and confidence as well as progress towards economic growth and prosperity, best practices in the international fight against corruption identify three key contributing elements to good government and contributing key characteristics for each. The ability for Iraq to attract international donors to assist in democracy building will depend on its ability to reduce perceived government-wide corruption. The Table 1 identifies these contributing elements and key characteristics.

Table 1. Best Practices in Anticorruption

| <b>Contributing Elements</b> | <b>Key Characteristics</b>                                 |
|------------------------------|--|
| Incentives                   | Rule of Law<br>Civil Service Reform<br>Checks and Balances |
| Transparency                 | Financial Disclosure<br>Due Process<br>Free Press          |
| Accountability               | Enforcement of Laws<br>Oversight<br>Independent Judiciary  |

Source: SIGIR Research.

Other international leading practices promote strategic planning and budgeting, professional codes of conduct, civil society participation and oversight, whistleblower protection, conflict of interest rules, integrity pacts and debarment in contracting and rigorous prosecution, performance accountability reporting, and performance management. For the accountability organizations key characteristics also include independence and professional standards.

However, the ability to successfully fight corruption in Iraq will ultimately depend on a sufficient level of commitment (political will) to implement reforms by the Iraqi's themselves. Pervasive illegal activity negatively effects progress in reforming legal, judicial and economic

systems and sustaining policy objectives to fight corruption. The public will not judge the new Iraqi government's anticorruption program to be a success without reaching milestones, such as:

- improved survey results
- aggressive prosecutions
- adoption of anticorruption laws and regulations
- creation of an impartial civil service system
- transparency to the general public on financing of political parties and government procurement
- equitable salaries for government officials

Encouraging the use of a strategic approach with milestones and metrics to measure progress through self-assessment and external oversight by International organizations also creates an atmosphere of trust and viability with the public.

# Conclusion and Recommendations

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## Conclusion

According to senior Iraqi officials, corruption is worsening in Iraq. Addressing corruption is a long-term effort and the new Iraqi government needs the assistance of the international community to provide leading practices and processes that provide transparency in government operations and promote the identification of corrupt practices or reduce the opportunities for corruption.

An effective Iraqi government is basic to the success for democracy and good government in Iraq. Implanting integrity throughout Iraq's public institutions is a generational challenge. The institutional framework for Iraqi anticorruption activities is in place but it is fragile and immature. Judicial prosecutions of corruption cases have been few. Improved collaboration among the three public integrity/accountability institutions, and between them and the courts, is a priority.

The U.S. government has been active in assisting the Iraqi government in developing processes and practices to reduce corruption. In December 2005 the ACWG was re-energized and it is still in its early stages of becoming an effective organization. There is a recognition that more needs to be done to ensure effective coordination with the U.S. government and the Iraqi government. However, full time leadership is needed to ensure the U.S. efforts achieve the goals established in the current ACWG anticorruption strategy.

## Recommendations, Management Comments and Audit Response

To ensure that greater emphasis is given to this important goal, we recommend to the U.S. Ambassador to Iraq:

1. In response to the request from the U.S. Embassy-Iraq's Economic Counselor, provide the necessary resources to have sufficient direction and oversight of the U.S. Embassy's anticorruption program, including a senior leader from the Department of State and a senior officer from the Multi-National Force-Iraq. Both of these positions should be filled with staff that has such a background to bring value to the position.
2. Continue the ongoing efforts to recruit an Iraqi local national staff member to provide support to a full-time Anticorruption Program Manager. This individual should have the necessary skills and rank to be instrumental in forging joint U.S.-Iraqi anticorruption initiatives.
3. Establish a joint executive steering group, with the Anticorruption Program Manager as the chairperson, that would have oversight on all U.S. government anticorruption programs to ensure that all initiatives are working toward a common goal in the most efficient and effective manner.
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.
5. Establish a policy that will require all participating organizations to vet new anticorruption initiatives through the new joint executive steering group.

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.
7. Direct the members of the ACWG to develop action plans for each activity's program in concert with the overall strategic goals.
8. Establish a baseline for each anticorruption program to document a starting point for the program in order to measure progress.
9. Establish interim and long-term objective(s) for each anticorruption program consistent with the overall anticorruption program strategy.
10. Engage the Iraqi anticorruption counterparts within the new government and establish the joint U.S.-Iraq Anticorruption Working Group.
11. Encourage the new Iraqi government to establish its own anticorruption working groups with regional and international partners.
12. Based on the unresolved recommendation number 20 from the October 2005 DoS OIG report, 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 Ministry Inspectors General with special emphasis on requirements that apply to all four institutions.
  - b. Prioritize the identified training requirements.
  - c. Identify training solutions for those requirements that can cut across multiple institutions to avoid duplication and maximize resources.

**Management Comments and Audit Response.** We received comments from the U.S. Embassy-Iraq, who concurred with our findings and recommendations. Actions are being planned or are underway to implement the recommendations. Among the actions the Embassy Staff is taking is the appointment of a senior foreign service officer to supervise the anticorruption program, and the establishment of a joint executive steering group that will have oversight on all U.S. government anticorruption programs. We consider the Embassy's comments to be fully responsive to our report.

## Appendix A. Scope and Methodology

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SIGIR and the DoS/OIG initiated this joint survey on April 14, 2006 (Project No. 6011). The objectives of the joint survey were to determine: (1) the U.S. government agencies participating in the anticorruption program in Iraq, and whether they have a coordinated strategic plan with identified goals; (2) whether program outcomes and metrics have been established to measure progress and success; and (3) whether organizational roles and responsibilities have been clearly identified and resources provided to meet the program goals. In addition, the survey was to identify international leading practices from other organizations that have had successful experience in reducing corruption and to compare the U.S. Embassy-Iraq Program to any lessons learned from these initiatives.

To determine the U.S. government agencies participating in the anticorruption program in Iraq and whether they have a coordinated strategic plan, we attended the weekly U.S. Embassy Anticorruption Working Group (ACWG) meetings and reviewed previous meeting minutes. We also reviewed the Embassy's Anticorruption Strategy, dated December 28, 2005.

To determine whether anticorruption program outcomes and metrics have been established to measure progress and success, we reviewed the Embassy's Anticorruption Strategy dated December 28, 2005, and discussed it with the ACWG Chairman. In addition, we interviewed the ACWG participants and reviewed available program documentation to determine if their individual anticorruption programs had identifiable outcomes and metrics.

To determine whether organizational roles and responsibilities have been clearly identified and resources provided to meet the program goals, we interviewed the ACWG participants. We also reviewed several versions of the ACWG's Anticorruption Programs Inventory. This document is continuously updated as funds are reallocated, old activities are completed, and new activities are started. The last ACWG programs inventory provided to us was dated May 21, 2006.

To identify international leading practices from other organizations that have had successful experience in reducing corruption we researched numerous reports on how corruption was reduced in other countries throughout the world.

We conducted this survey in Washington, D.C., between April 17 and May 7, 2006; and in Baghdad, Iraq, from April 2006 through June 2006. The survey was conducted in accordance with generally accepted government auditing and inspections standards.

**Use of Computer-Processed Data.** We did not use computer-processed data to perform this survey.

**Prior Coverage.** We reviewed the following reports.

- Department of State, Office of the Inspector General, Report of Inspections, Rule of Law Programs, Embassy, Baghdad, Report #ISP,IQO-06-01, October 2005.
- United Nations, Office of Drugs and Crime, Report on the Sixth Meeting of the International Group for Anti Corruption Coordination (IGAC, Brussels, 30 September – 01 October 2004.
- U.S. Government Accountability Office: Foreign Assistance: U.S. Anti-Corruption Programs in Sub-Saharan Africa – Will Require Time and Commitment (GAO-04-506) April 2004.
- USAID, Audit of the Status of USAID's Anti-Corruption Efforts in Assisted Countries, (Audit report No: 9-000-98-0002-P), 01 September 1998.

# **Appendix B. U.S. Embassy's Anticorruption Strategic Goals and Objectives**

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## **1. Market Reforms**

- a. Functioning market economy with market pricing of goods and services supplants state dominated economy
- b. State-Owned Enterprises dismantled
- c. Foreign Direct Investment on par for region and resource base
- d. Capital flight reversed

## **2. Financial Transparency**

- a. Iraqi government has standardized, transparent budget and procurement procedures
- b. Iraq is an active partner with regional states, trading partners, potential investors and donors in investigating and combating corruption

## **3. Public Integrity**

- a. Iraqi government adheres to the rule of law
- b. Government, donor and international financial institution resources are effectively utilized on behalf of Iraq's people
- c. Media, Non-Government Organizations and public are active in anti-corruption effort

## Appendix C. Anticorruption Program Inventory and Funding as of June 15, 2006

The following information summarizes the anticorruption programs as determined by SIGIR and DoS OIG during this survey.

| <b>Programs</b>                       | <b>Funded</b>       | <b>Descriptions</b>   | <b>Notes</b> |
|---------------------------------------|---------------------|---|--------------|
| Commission on Public Integrity (CPI)  | \$8,519,000         | INL Funding for CPI Efforts   | Note 1       |
|                                       | 2,679,000           | IRMO Funding for CPI Efforts  | Note 1       |
|                                       | 500,000             | INL Proposed Funding for CPI Media Anticorruption Work  | Note 2       |
| <b>CPI Total</b>                      | <b>\$11,698,000</b> |   |              |
| Board of Supreme Audit (BSA)          | \$1,000,000         | INL Proposed Funding to Strengthen Training and Mentoring   | Note 2       |
| <b>BSA Total</b>                      | <b>\$1,000,000</b>  |   |              |
| Inspector General (IG)-All Ministries | \$2,000,000         | INL Proposed Funding to Strengthen IG Training and Mentoring                                      | Note 2       |
| Inspector General-Ministry of Oil     | 600,000             | IRMO Funding for IG Training Courses  | Note 3       |
| IG-Ministries of Defense and Interior | 4,000,000           | MNSTC-I Funding to Strengthen IG Training and Mentoring   | Note 4       |
| <b>Inspector General Total</b>        | <b>\$6,600,000</b>  |   |              |
| Other                                 | \$2,000,000         | PAS Funding for Anticorruption Efforts  | Note 5       |
|                                       | 8,000,000           | MNSTC-I Funded IJF Ethics and Leadership Center   | Note 6       |
|                                       | 12,100,000          | USAID Funded Iraq Civil Society Program (ICSP)  | Note 7       |
|                                       | 2,500,000           | INL Proposed Funding for USAID's ICSP and Media Work  | Note 2       |
|                                       | 140,000             | IRMO Funded Financial Management Training Courses   | Note 3       |
|                                       | 280,000             | IRMO Funded E-government and IT Management Training Courses                                       | Note 3       |
|                                       | 5,000,000           | INL Proposed Funding for the Financial Management Information System (FMIS) Public Payroll Module | Note 2       |
|                                       | 3,400,000           | IRMO Funded FMIS Procurement and Budget Modules   | Note 8       |
|                                       | 12,000,000          | USAID & Treasury Funding for FMIS Payment Module  | Note 9       |
| <b>Other Total</b>                    | <b>\$45,420,000</b> |   |              |
| <b>TOTAL PROGRAM FUNDS</b>            | <b>\$64,718,000</b> |   |              |

### EXPLANATORY NOTES:

#### Note 1: Commission on Public Integrity

The Commission on Public Integrity (CPI) investigates allegations of corruption within the government. The Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL) has provided \$8,519,000 to support CPI investigator training provided through the Department of Justice's International Criminal Investigative Training Program (ICITAP) and various support services such as translation activities through a contract with DynCorp International. The Iraq Reconstruction Management Office (IRMO) assigned a team of consultants to support the CPI and has expended \$2,679,000 for, among other items, weapons, ammunition, and tactical training equipment, printing and publication of the Iraqi Code of Conduct and various education outreach efforts.

#### Note 2: Proposed INL Funding

The Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL) recently received a \$15 million reallocation of Iraq Relief and Reconstruction Fund (IRRF) money for Rule of Law activities. INL designated \$11 million of the reallocated funds to support specific anticorruption efforts in accordance with priorities established by the U.S. Embassy's Anticorruption Working Group. Those priorities are funding the Iraq Financial Management Information System's public payroll module; strengthen training and mentoring at the Board of Supreme Audit and ministry Inspectors General, providing additional funds for the U.S. Agency for International Development's Iraq Civil Society Program, and USAID and CPI anticorruption media efforts. An INL representative told us the individual program priorities may change prior to final obligation of the funds but the entire \$11 million would be used for anticorruption programs.



**Note 3: Ministry of Oil Training Courses**

The Iraq Reconstruction Management Office (IRMO) proposes sending Ministry of Oil employees to training courses in Amman, Jordan, and Cairo, Egypt. The training courses are intended to expose the employees to modern practices in accounting, auditing, financial management and information technology. IRMO proposed funding \$1,020,000 for this effort.

**Note 4: Ministries of Defense and Interior Inspector General Training and Mentoring**

Past assistance to the Inspector Generals has been primarily limited to mentoring by one part-time advisor. Recently, the Multi-National Security Transition Command-Iraq (MNSTC-I) established a capacity building program for the Ministries of Defense and Interior that includes embedding eight U.S. advisors in the inspector general and legal organizations. MNSTC-I estimated this effort will cost approximately \$4 million.

**Note 5: U.S. Embassy Public Affairs Section (PAS)**

The Embassy's public affairs section has been active in monitoring the media for coverage on anticorruption and organizing exchange programs and other training opportunities with anticorruption as the focus. Recently, the public affairs section received additional funding of \$15 million directed to developing media programming. A PAS representative stated that \$2 million of those funds would be dedicated to anticorruption efforts.

**Note 6: Iraqi Joint Force (IJF) Values and Leadership Center**

MNSTC-I is supporting the development of the Iraqi Center for Military Values, Principles and Leadership. Approximately \$8 million has been committed for the Leadership Center. Its goal is to build an institution that will focus on doctrinal development and education and training to professionalize the Iraqi Joint Forces (IJF) in the specific areas of ethics and leadership. Its principal audience is Iraqi military personnel. There will be more than one teaching location. Initial staffing will include 13 contractor personnel, four military personnel and some Iraqi staff. The goal is to train Iraqi instructors who will be expected to continue the program. MPRI, Incorporated has been engaged to develop a full curriculum of ethical precepts and values for the Leadership Center as part of a \$143 million capacity building contract. They have established 34 program outcomes they hope the Leadership Center will achieve but recognize that many of them require cultural changes that will take a generation or more to fully accomplish.

**Note 7: Iraq Civil Society Program**

The U.S. Agency for International Development funds a contract with America's Development Foundation to strengthen civil society organizations. One key focus of the work is anticorruption. The total contract is valued at \$43 million, with approximately \$9 million dedicated to anticorruption efforts. USAID proposes funding the contract with an additional \$16.2 million of reallocated funds with approximately \$3.1 million dedicated to anticorruption efforts.

**Note 8: Iraqi Financial Management Information System Procurement and Budget Modules**

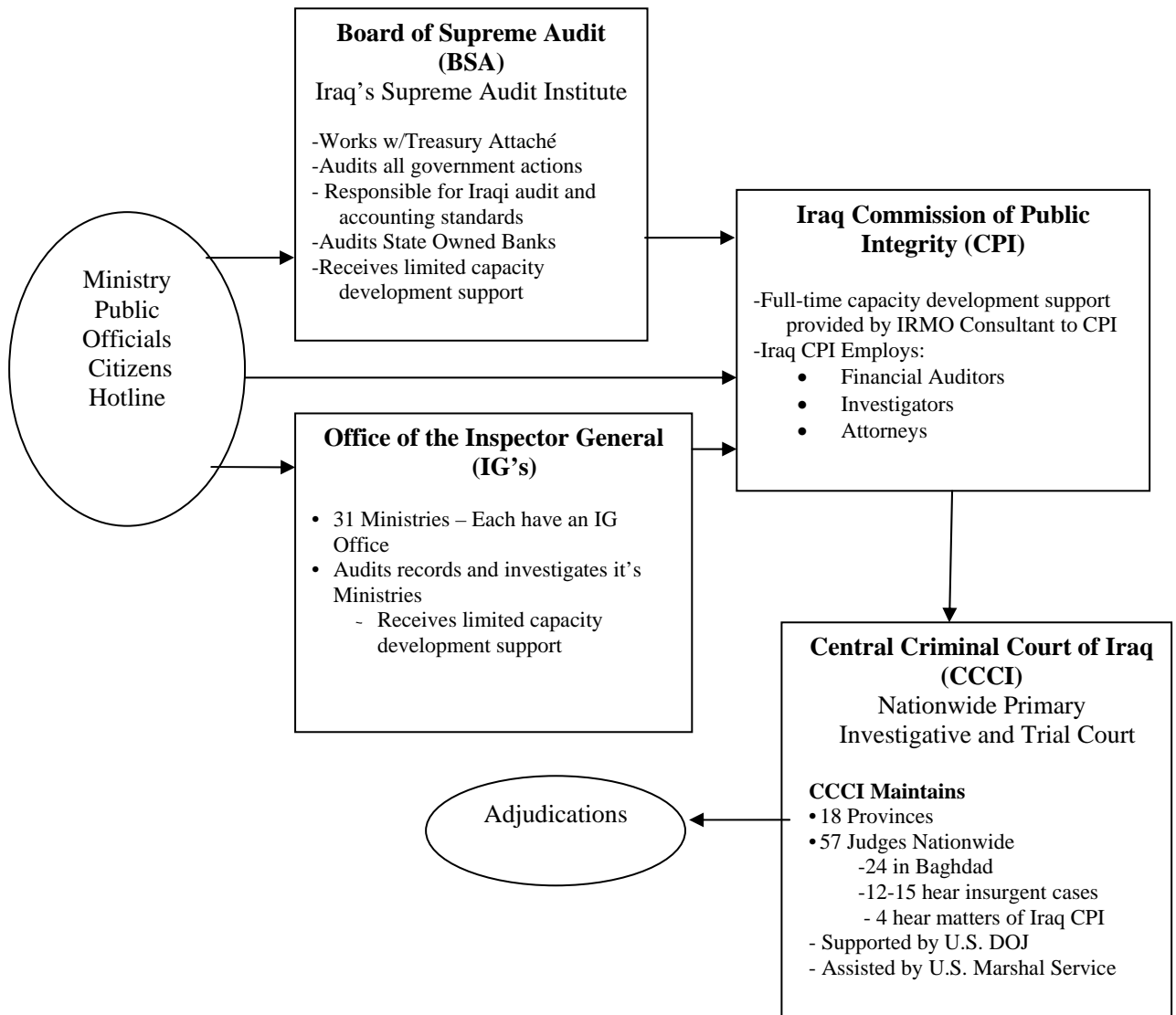
The IRMO Office of Financial and Fiscal Affairs is providing \$3.4 million to install and implement the procurement and budget modules of the Iraqi Financial Management Information System. These modules should provide greater accountability and transparency for Iraqi government financial transactions.

**Note 9: Iraqi Financial Management Information System Payment Module**

The U.S. Agency for International Development funds a BearingPoint contract to complete and install the payment module of the Iraqi Financial Management Information System (FMIS). The contractor has specific responsibility for developing and implementing the FMIS payment module. The project's first task was to identify spending units throughout the country that have the independence to make payments, have bank accounts, and have the capability of creating trial balances. Approximately 56 spending units will receive the FMIS payment module in the first phase and 126 spending units will receive it during the second phase of implementation. Implementation means all personnel are trained, all necessary equipment has been installed, internet connectivity is available, and data can be input from the spending units directly into the central database at the Ministry of Finance. Approximately 85% of the requirements have been completed at a cost of \$10 million. The U.S. Department of Treasury has agreed to fund an additional \$2 million to complete the remaining requirements.

# Appendix D. Iraqi Anticorruption Accountability Organizations Process Flowchart

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## **Appendix E. Acronyms**

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|         |   |
|---------|---|
| BSA     | Board of Supreme Audit                            |
| CCCI    | Central Criminal Court of Iraq                    |
| CPA     | Coalition Provisional Authority                   |
| CPI     | Commission on Public Integrity                    |
| DoS     | Department of State                               |
| IRMO    | Iraq Reconstruction Management Office             |
| IRRF    | Iraq Relief and Reconstruction Fund               |
| MNSTC-I | Multi-National Security Transition Command-Iraq   |
| SIGIR   | Special Inspector General for Iraq Reconstruction |
| USAID   | U.S. Agency for International Development         |

## **Appendix F. Report Distribution**

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### **Department of State**

Secretary of State

Senior Advisor to the Secretary and Coordinator for Iraq

U.S. Ambassador to Iraq

Director, Iraq Reconstruction Management Office

Mission Director-Iraq, U.S. Agency for International Development

Inspector General, Department of State

### **Department of Defense**

Secretary of Defense

Deputy Secretary of Defense

Director, Defense Reconstruction Support Office

Under Secretary of Defense (Comptroller)/Chief Financial Officer

Deputy Chief Financial Officer

Deputy Comptroller (Program/Budget)

Inspector General, Department of Defense

Director, Defense Contract Audit Agency

Director, Defense Finance and Accounting Service

Director, Defense Contract Management Agency

### **Department of the Army**

Assistant Secretary of the Army for Acquisition, Logistics, and Technology

Principal Deputy to the Assistant Secretary of the Army for Acquisition,

Logistics, and Technology

Deputy Assistant Secretary of the Army (Policy and Procurement)

Director, Project and Contracting Office

Commanding General, Joint Contracting Command-Iraq/Afghanistan

Assistant Secretary of the Army for Financial Management and Comptroller

Chief of Engineers and Commander, U.S. Army Corps of Engineers

Commanding General, Gulf Region Division

Auditor General of the Army

### **U.S. Central Command**

Commanding General, Multi-National Force-Iraq

Commanding General, Multi-National Security Transition Command-Iraq

Commander, Joint Area Support Group-Central

### **Other Federal Government Organizations**

Director, Office of Management and Budget

Comptroller General of the United States

Inspector General, Department of the Treasury

Inspector General, Department of Commerce

Inspector General, Department of Health and Human Services

Inspector General, U.S. Agency for International Development

President, Overseas Private Investment Corporation

President, U.S. Institute for Peace

# **Congressional Committees and Subcommittees, Chairman and Ranking Minority Member**

## **U.S. Senate**

Senate Committee on Appropriations

Subcommittee on Defense

Subcommittee on State, Foreign Operations and Related Programs

Senate Committee on Armed Services

Senate Committee on Foreign Relations

Subcommittee on International Operations and Terrorism

Subcommittee on Near Eastern and South Asian Affairs

Senate Committee on Homeland Security and Governmental Affairs

Subcommittee on Federal Financial Management, Government Information and International Security

Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia

## **U.S. House of Representatives**

House Committee on Appropriations

Subcommittee on Defense

Subcommittee on Foreign Operations, Export Financing and Related Programs

Subcommittee on Science, State, Justice and Commerce and Related Agencies

House Committee on Armed Services

House Committee on Government Reform

Subcommittee on Management, Finance and Accountability

Subcommittee on National Security, Emerging Threats and International Relations

House Committee on International Relations

Subcommittee on Middle East and Central Asia

## **Appendix G. Survey Team Members**

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This report was prepared under the direction of Joseph T. McDermott, Assistant Inspector General for Audit, Office of the Special Inspector General for Iraq Reconstruction.

The joint survey was conducted under the direction of Joseph T. McDermott, Assistant Inspector General for Audit, Office of the Special Inspector General for Iraq Reconstruction, and Ambassador Vincent Battle of the Department of State, Office of the Inspector General.

Staff members who contributed to the report include:

Glenn Furbish, SIGIR  
Robert Gabriel, SIGIR  
Frank Gulla, SIGIR  
Andrea Leopold, DoS OIG  
Sandra March, SIGIR  
Diane N. Recio, SIGIR

*Special thanks to Ms. Linda Ehrichs of Transparency International Berlin, Germany, for providing a copy of the Global Corruption Report 2006.*

# Management Comments

## U.S. Embassy-Baghdad, Iraq

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*Embassy of the United States of America*  
Baghdad, Iraq

July 25, 2006

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MEMORANDUM FOR THE SPECIAL INSPECTOR FOR IRAQ RECONSTRUCTION

TO: Joseph T. McDermott, Assistant Inspector General for Audit

FROM: CDA – Margaret Scobey

SUBJECT: Embassy Baghdad Response to Joint Survey of U.S. Embassy Baghdad's Anticorruption Program (SIGIR-06-021)

Embassy Staff appreciate the diligent work of the SIGIR team in evaluating the work of the various USG agencies at post involved in anticorruption tasks. The candid evaluations and helpful recommendations will be used to improve our efforts and cooperation with counterparts in the Iraqi Government and public sector.

Specific recommendations made by the SIGIR team and Embassy responses follow:

1. Provide the necessary resources to have sufficient direction and oversight of the U.S. Embassy's anticorruption program, including a senior leader from the Department of State and a senior leader from MNF-I. Both of these positions should be filled with staff that has a background to bring value to the position.

**An FSO-01 officer, working under the Economic Counselor has been assigned and will arrive in August. He will supervise the anticorruption program and will have a full-time local staff officer to support him effort in this area. Collaboration with MNF-I has increased and Embassy will explore means to increase cooperation with senior MNF-I staff.**

2. Continue efforts to recruit an Iraqi local national staff member to provide support to the full-time Anticorruption Program Manager. This individual should have the necessary skills and level to be instrumental in forging joint U.S.-Iraqi anticorruption initiatives.

**This is underway. See answer to recommendation #1.**

3. Establish a joint executive steering group, with the Anticorruption Program Manager as the chairperson who would have oversight on all U.S. government anticorruption

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programs to ensure that all initiatives are working toward a common goal in the most efficient and effective manner.

**The recommendation is accepted and will be adopted immediately.**

4. Direct the joint executive steering group to provide to the Deputy Chief of Mission periodic reports (at least quarterly) on progress, barriers, funding needs, etc.

**The recommendation is accepted. The desired content of periodic reports will be established after consultation between the DCM and the Chair of the joint executive steering group.**

5. Establish a policy that will require all participating organizations to vet new anticorruption initiatives through the new joint executive steering group.

**The recommendation is accepted and will be adopted as soon as possible.**

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.

**The recommendation is accepted. Implementation will begin in September.**

7. Direct members of the ACWG to develop action plans for each activity's program in concert with the overall strategic goals.

**The recommendation is accepted and will be implemented as soon as possible.**

8. Establish a baseline for each anticorruption program to document a starting point for the program in order to measure progress.

**The recommendation is accepted and will be implemented as soon as possible.**

9. Establish interim and long-term objective(s) for each anticorruption program consistent with the overall anticorruption program strategy.

**The recommendation is accepted and will be implemented as soon as possible.**

10. Engage the new Iraqi anticorruption counterparts within the new government and establish the joint U.S.-Iraq Anticorruption Working Group.

**Embassy staff are already collaborating with anticorruption counterparts within the new government. Anticorruption has been identified as a major effort under the International Compact with Iraq (see answer to question #1). If this goes forward, U.S. efforts might be better placed in assuming a leading role within this multilateral framework. If it does not, the bilateral Anticorruption Working Group will be revisited.**

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11. Encourage the new Iraqi government to establish its own working groups with regional and international partners.

**See answer to question #10. The Embassy arranged for GOI contact with Transparency International during PM al-Maliki's July trip to the U.S. World Bank assistance in this area has already been offered and a conference devoted to Iraqi corruption problems took place in July under World Bank auspices in Dubai. The Mission will also encourage technical level contacts in the anticorruption area with the Organization for Economic Development and Cooperation (OECD).**

**Previous Recommendation contained in the October 2005, "Inspection of Rule of Law Programs, Embassy Baghdad."**

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."

**The Mission agrees with this recommendation and will continue to support GoI efforts to create such an institution. We repeatedly have informed the leaders of all Iraqi anticorruption organizations, as well as PM Nouri al-Maliki of that position.**

**Full implementation of this proposal will require significant commitments of funds and personnel from GOI sources.**

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