



## PORTENTS AND POSSIBILITIES

Entering 2012, the U.S. commitment to Iraq remains substantial and expensive, with nearly 14,000 personnel (mostly contractors) under Chief of Mission authority in Baghdad. In addition to traditional diplomatic and development activities, U.S. Embassy-Baghdad is deeply involved in supporting the Iraqi Security Forces (ISF), with sizable programs dedicated to building the capacity of the police and military.

Through the Police Development Program (PDP), the Department of State's (DoS) Bureau of International Narcotics and Law Enforcement Affairs works with the Ministry of Interior (MOI) to mentor senior police officials. But the PDP faces a number of challenges, not the least of which is the MOI's apparent reluctance to embrace fully the program. Moreover, the threatening security environment, especially in Baghdad, makes it difficult for advisors to engage with their MOI interlocutors.

The newly established Office of Security Cooperation-Iraq (OSC-I) manages U.S. efforts to advise and equip Iraq's armed forces, including the Foreign Military Sales (FMS) program through which the GOI has purchased M1 Abrams tanks, F-16 aircraft, naval patrol boats, and more. OSC-I maintains significant ties to the senior ranks of the Ministry of Defense (MOD), conducting regular meetings with key commanders and assisting the MOD with a wide variety of projects aimed at building a more professional and more effective ISF.

### Security

On December 19, 2011, the last U.S. Forces-Iraq personnel crossed into Kuwait, marking the end of an almost nine-year military mission in Iraq. The mid-January religious festival of Arbayaen, commemorated by millions of Shia, provided the first significant test of the ISF's capacity to secure large events. While the ISF largely succeeded in deterring violent incidents at the focal point of the ceremonies in Kerbala, a series of attacks, purportedly launched by Sunni extremists and targeting Shia worshipers, killed many pilgrims elsewhere in Iraq. In the largest such attack, more than 50 were killed and 100 injured on January 14, when a bomb exploded near a gathering of worshipers in Basrah. Other significant attacks this quarter struck key GOI law-enforcement facilities, including:

- a December 22 attack on an office of Iraq's main anticorruption agency, the Commission of Integrity (COI), killing 32 COI employees—the largest strike ever on an Iraqi anticorruption agency
- a December 26 bombing at a security checkpoint outside the MOI headquarters in Baghdad, killing at least 6 and injuring more than 30



ISF personnel at a ceremony marking the end of USF-I's mission, December 1, 2011. (USF-I photo)

- a January 15 assault on a police complex in Ramadi, the capital of Anbar province, killing at least 4 and injuring at least 12
- Notwithstanding these recent lethal events, the total number of Iraqi civilians killed in 2011—2,645—represents a drop of about 1,000 from the total killed in 2010.

### Governance Issues

More than a year after the "Erbil Agreement" secured a second four-year term in office for Prime Minister Nuri al-Maliki, Iraq's major political blocs—the Prime Minister's State of Law coalition and former Prime Minister Ayad Allawi's mostly Sunni al-Iraqiya bloc—continued their power struggle. In mid-December, the Prime Minister went on the political offensive, calling for a no-confidence vote by the Council of Representatives (CoR) against Deputy Prime Minister Salih al-Mutlaq. Shortly thereafter, an arrest warrant was issued for Vice President Tariq al-Hashemi, accusing him of involvement in a string of assassinations allegedly conducted by his bodyguards. The CoR has yet to vote on al-Mutlaq's standing, and al-Hashemi remains free in the Kurdistan Region, arguing that his case should be heard somewhere other than Baghdad.

This quarter saw an increase in tensions between the federal government in Baghdad and the Kurdistan Regional Government (KRG) over the control of hydrocarbon resources. In mid-November, ExxonMobil, which has substantial interests in Iraq's southern oil fields, announced that it had signed production-sharing agreements with the KRG to develop six oil-exploration blocks in the Kurdistan Region. ExxonMobil's move challenged the GOI's policy that prevents international oil companies from entering into agreements with both the KRG and GOI. In retaliation, the Ministry of Oil moved to exclude ExxonMobil from the upcoming fourth licensing round; but more than two months after ExxonMobil's announcement, it

remained unclear just how the company's other interests in Iraq would be affected. Recent reports indicate that the dispute may have reenergized efforts within the CoR to pass the long-stalled package of hydrocarbon reforms—a step that would bring greater legal and regulatory clarity to Iraq's crucial oil and gas sector.

The ExxonMobil imbroglio underscores the substantial power that regional governments possess under current Iraqi law. Along these lines, prominent politicians in the Sunni provinces of Salah Al-Din and Anbar, as well as in the ethnically and religiously mixed province of Diyala, announced their respective intentions to transform their provinces into semi-autonomous regions. Prime Minister al-Maliki voiced grave concerns about these moves, arguing that the nascent Iraqi state remains too fragile to withstand so substantial a devolution of federal powers. The Kurdistan Region currently is the only semi-autonomous region in Iraq.

### Draft Iraqi Budget for 2012

This quarter, the Council of Ministers (CoM) approved a \$100.1 billion draft budget for 2012, projecting a deficit of \$14.7 billion. If approved by the CoR, this budget would increase spending by about 21% over the 2011 budget. The CoM draft assumes that the price of oil will remain at or above \$85 per barrel and that exports will average 2.625 million barrels per day. The draft budget includes \$68.3 billion for operating expenses, such as salaries, and \$31.8 billion for new capital spending. It would increase the budgets of several ministries, including Transportation, Oil, and Finance. Ministries whose budgets are slated to be cut include Planning and Development Cooperation, Foreign Affairs, and Communications. The CoR is considering the CoM draft, with a final vote yet to be scheduled.

### SIGIR Audits

SIGIR published five audits this quarter, including its fourth major review of U.S. oversight of Iraqi oil revenue held in the Development Fund for Iraq (DFI). This report determined that the Department of Defense (DoD) could document only about \$1 billion of the approximately \$3 billion in DFI funds made available to it by the GOI for reconstruction contracts. SIGIR's other audits assessed:

- **DFI funds returned to the Central Bank of Iraq (CBI).** In response to a request from Prime Minister al-Maliki, this review found that the \$13.1 million of DFI funds returned to the GOI by SIGIR in March 2009 was properly transferred from the Federal Reserve Bank of New York to the CBI.
- **Open SIGIR audit recommendations to DoD.** Based on information provided to it by DoD and data contained in other SIGIR audits, SIGIR was able to close 32 of 37 previously open recommendations and will continue to track the remaining 5.
- **Contracts terminated by the U.S. Army Corps of Engineers (USACE).** SIGIR could not determine if there was waste for 22 of 55 terminations because of either missing or incomplete contract files. Out of the remaining 33 terminated

contracts, SIGIR determined that 10 resulted in waste of approximately \$3.8 million and 8 had waste in amounts that were indeterminate. SIGIR did not find any waste in the other 15 terminated contracts.

### DoS process to provide project information to the GOI.

This letter report concluded that the GOI is still receiving only a partial inventory of all completed and transferred reconstruction projects because DoS uses a narrowly focused definition of what constitutes a reconstruction project and obtains its project information from a database that contains incomplete and inaccurate information. To date, SIGIR has issued 206 audit reports.

### SIGIR Investigations

Since 2004, SIGIR investigative work has resulted in 70 indictments, 61 convictions, and more than \$175 million in fines, forfeitures, and other monetary penalties. On October 20, 2011, as a result of a SIGIR investigation, the former president and CEO of Louis Berger Group, Inc.—a firm that has been and remains an implementing partner of the U.S. Agency for International Development (USAID)—surrendered to face a six-count indictment alleging he led a scheme to intentionally overbill the U.S. government in connection with hundreds of millions of dollars in overseas reconstruction contracts over a nearly 20-year period. Other significant investigative accomplishments this quarter included:

- the sentencing of a former U.S. Army major to 12 years in prison and 3 years of supervised release for his participation in a wide-ranging bribery and money-laundering scheme
- the sentencing of another former U.S. Army major to 2 years in prison and 3 years of supervised release for engaging in monetary transactions connected to unlawful activity
- the sentencing of a former USACE employee to 1 year and 8 months in prison and 3 years of supervised release for conspiring to receive bribes from Iraqi contractors involved in U.S.-funded reconstruction efforts
- the guilty plea by a DoS contractor to conspiring to steal DoS equipment, including a truck and a generator, and sell them on the Iraqi black market

As of January 30, SIGIR is continuing to work on 90 open investigations.

### Reforming U.S. Management of Overseas Contingency Operations

On December 14, 2011, Representatives Russ Carnahan (D-MO), Dan Burton (R-IN), Gerald Connolly (D-VA), Renee Ellmers (R-NC), Walter Jones (R-NC), and Peter Welch (D-VT), introduced the Contingency Operations Oversight and Interagency Enhancement Act of 2011. This bill would establish a United States Office for Contingency Operations (USOCO), which would be responsible for planning and executing overseas stabilization and reconstruction operations. USOCO would combine existing offices from DoS, USAID, DoD, and other federal agencies involved in stabilization and reconstruction operations.

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# ANTICORRUPTION EFFORTS IN IRAQ

PROFESSIONALISM  
PRODUCTIVITY  
PERSEVERANCE

JANUARY 2012

## Working toward UNCAC Compliance

### United Nations Convention Against Corruption (UNCAC)

In November 2008, the GOI signed the UNCAC, a legally binding international anticorruption instrument. As a state party to the UNCAC, the GOI committed to developing and implementing effective anticorruption policies and managing public affairs and property in a transparent and accountable manner.

The UNCAC outlines the obligations of member states to one another in applying four principles of fighting corruption: **Enforcement, Education, Accountability, and Transparency.**

### Iraqi National Anti-Corruption Strategy for 2010–2014 (NACS)

- Set up a system for political financing.
- Monitor the tendering process in all ministries.
- Appoint an adequate number of supervisors to check project implementation and compliance.
- Verify documents via advanced mechanisms and techniques.
- Prepare tighter internal controls by automating the personnel and payment systems.

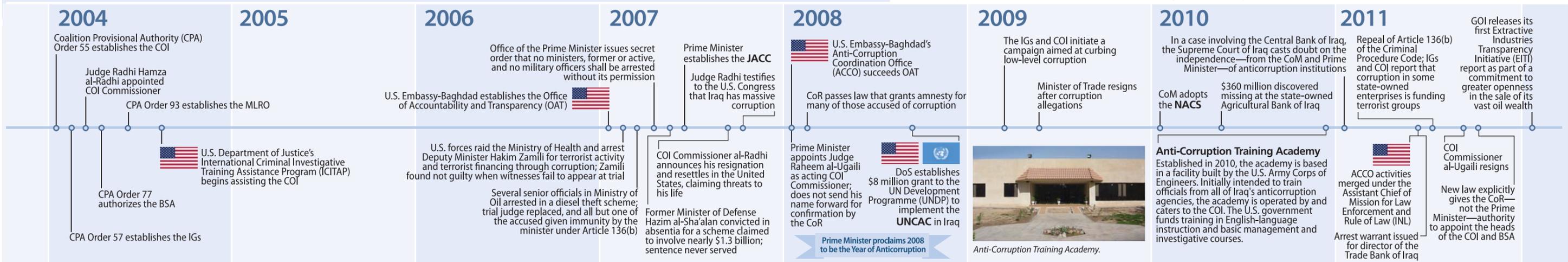
### Joint Anti-Corruption Council (JACC)

The JACC comprises representatives from the Council of Ministers (CoM), COI, IGs, BSA, and HJC. Its primary task is coordinating the implementation of the NACS.



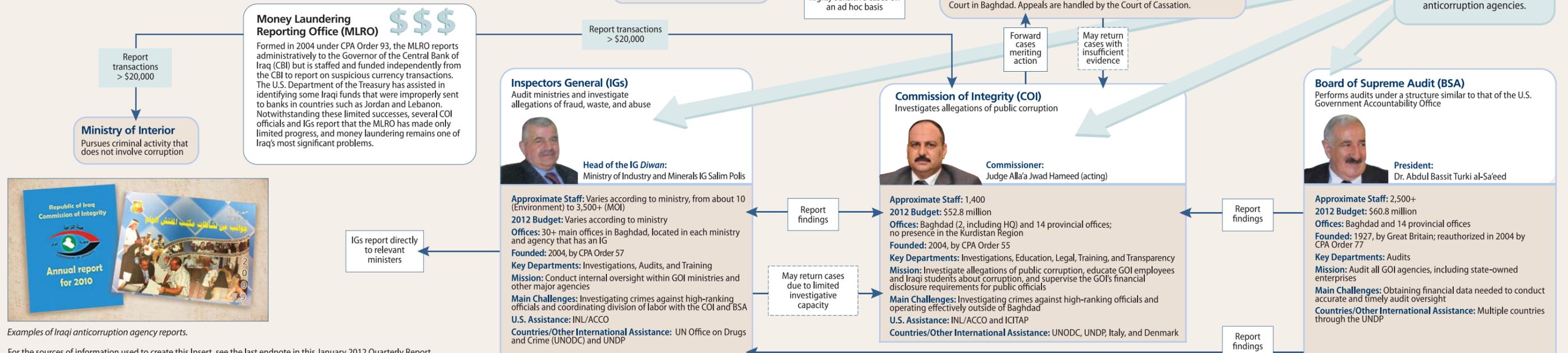
Residents of Falluja protest corruption and the lack of public services, February 2011. (Radio Falluja photo)

During February 2011, a number of public demonstrations—some violent—erupted in Iraq. Two themes characterized them: lack of public services and a belief that most government officials are corrupt. The Council of Representatives (CoR) held public hearings in response to the demonstrations, sending a number of cases to court and repealing the law that allowed ministers to block prosecution of their subordinates. Last summer, at the urging of the CoR, the former Minister of Electricity was referred to court on corruption charges, and the director of the Trade Bank of Iraq was accused of corruption involving hundreds of millions of dollars.



## Enforcement

How Iraq's anticorruption institutions report, investigate, and adjudicate anticorruption cases.



Examples of Iraqi anticorruption agency reports.

For the sources of information used to create this Insert, see the last endnote in this January 2012 Quarterly Report.