

Oil, Corruption, and Threats to Our National Interest: **WILL WE LEARN FROM IRAQ?**

Luis Carlos Montalván

PRESIDENT THEODORE ROOSEVELT knew the insidious impact of corruption in government and society when in 1900 he said, “No man who is corrupt, no man who condones corruption in others, can possibly do his duty by the community.”¹

Oil production in underdeveloped countries helps feed, sustain, and deepen corruption. Part of the reason is that the cost of producing a barrel of oil is a small fraction of its price on the global market, so government coffers are full of petrodollars, and there is little or no transparency or accountability in how government funds are spent. Threats to our national security from oil-producing countries like Iran have long been on the radar screen, but now threats from other countries such as Venezuela, Nigeria, and Sudan are on the horizon. How America deals with corruption in Iraq will likely condition our response to these impending threats.

Corruption creates conditions that lead to and sustain dictatorships and kleptocracies—both of which are contrary to our national interest and our aims of promoting democratic principles and the rule of law around the world. The Transparency International Corruption Perception Index for 2008, a report ranking countries by the degree corruption is perceived to exist among politicians and public officials, ranked Nigeria 122d, Venezuela 158th, Sudan 173d, and Iraq 178th out of a total of 180 countries.²

Indeed, corruption in Iraq is staggering and because of the encouragement received during Saddam Hussein’s reign, can be considered part of the country’s culture. Reports note, “the Iraqi government is in danger of being brought down by the wholesale smuggling of the nation’s oil and other forms of corruption that together represent a ‘second insurgency.’”³ In 2007, the Iraqi Ministry of Oil estimated that \$700 million of revenue is lost every month because of oil smuggling.⁴ The amount lost in 2008 is uncertain because of “the absence of a comprehensive metering system.”⁵ Iraq’s Shi’a, Sunni, and Kurdish sects are strengthening themselves through endemic corrupt practices. These sects do not believe that federalism is the most likely outcome in Iraq, so they are trying to enhance their political, economic, and military power in preparation for what they believe will be the inevitable bloody climax once American troops leave. Petrodollar corruption is feeding, sustaining, and deepening the sectarian divide. During my two tours in Iraq, I observed rampant corruption in the Iraqi Security Forces and at the border ports of entry.⁶ Little has been done to counter this corruption

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PHOTO: The Karadah Oil Refinery burns on 10 December 2007 where it was struck by an insurgent rocket that morning. The intended target was the International Zone, Baghdad; however several rockets fell short of the intended target, hitting the refinery. (U.S. Army, SSG Lorie Jewell)

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militarily, politically, or economically. Our apparent indifference has led to the Iraqis effectively defrauding the American taxpayer of billions of dollars.

Overdependence on oil revenues, a lack of accountability, and the discretion leaders enjoy in spending petrodollars are characteristics of Venezuela, Nigeria, and Sudan as well. Petrodollars tend to corrode fragile states, as happened in Venezuela when oil fields were discovered in 1917. Then-dictator Juan Vicente Gómez doled out concessions to his children and close associates. That pattern of corruption has continued in Venezuela to the present day. After the overthrow of the Pérez Jiménez dictatorship in 1958, a series of elected governments and the major political parties failed to deal with corruption. In spite of a massive influx of petrodollars, especially after 1974, more than 65 percent of the people are now mired in poverty, and the traditional political parties are discredited and have effectively disappeared, facilitating movement along the Cuba-inspired path that President Hugo Chávez appears to have chosen for that unfortunate country.

Chávez's radicalization following his landslide victory at the polls was clearly timed to occur when America was heavily focused on Iraq and Afghanistan. Chávez has also been very active in supporting radical elected leaders in Bolivia, Ecuador, and Nicaragua, and has developed close ties with Iran. His use of petrodollars to finance enormous arms purchases, mainly from Russia, threatens to launch an arms race in South America. Venezuelan opposition and press reports suggest Chávez's recent support of Hezbollah and other terrorist organizations,⁷ and mineral sharing agreements with Iran, could be a plan to provide them with uranium.⁸

As in Venezuela, corruption in Nigeria is leading to an increase in poverty that fomenting extremism. Nigeria's oil revenues are over \$24.5 billion per year, making it one of the world's top 10 oil producers.⁹ The CIA has described Nigeria as having a history "long hobbled by political instability, corruption, inadequate infrastructure, and poor macroeconomic

management."¹⁰ According to 2008 World Bank estimates, despite the vast energy stores lying beneath southern Nigeria, about 80 percent of energy revenues benefit one percent of the country.¹¹ Billions in petrodollars are lost to corruption, and the people in that region remain desperately poor. In 2003, Osama Bin Laden identified Nigeria as a target for liberation. With 140 million people largely split between a predominantly Muslim north and a Christian-majority south, Nigeria is an ideal place for civil war and terror.¹² In 2007, a Nigerian newspaper owner was charged with receiving funds from Al-Qaeda to sponsor terror in Africa's most populous country.¹³

In testimony before the House Committee on International Development, a Nigerian official declared, "The U.S. and G8 must be in the forefront of building a global coalition against corruption. Make transparency and accountability and the fight against corruption the primary basis for relating with any government. Corruption is worse than terrorism."¹⁴

The case of Sudan is similar to that of Nigeria. Since 1999, Sudan experienced sustained GDP growth from increased oil production. Oil is now Sudan's main export, and production is increasing dramatically. Southern Darfur, like southern Sudan, is rich in oil, but corruption is such that the people live in abject poverty. The World Food Program has been engaged in emergency response to widespread famine because the Sudanese government's response to the crisis has been woefully inadequate, despite those oil revenues.

Al-Qaeda was formed in Sudan. After his expulsion from Saudi Arabia, Bin Laden established headquarters for Al-Qaeda in Khartoum, Sudan, and Sudan's neighbor, Chad, has reported that Al-Qaeda infiltrated refugee camps in the Sudanese region of Darfur.¹⁵

Clearly, the kleptocracies and the well-entrenched cultures of corruption in Iraq, Venezuela, Nigeria, and Sudan are undermining U.S. efforts to promote stability and security in the Middle East, Latin America,

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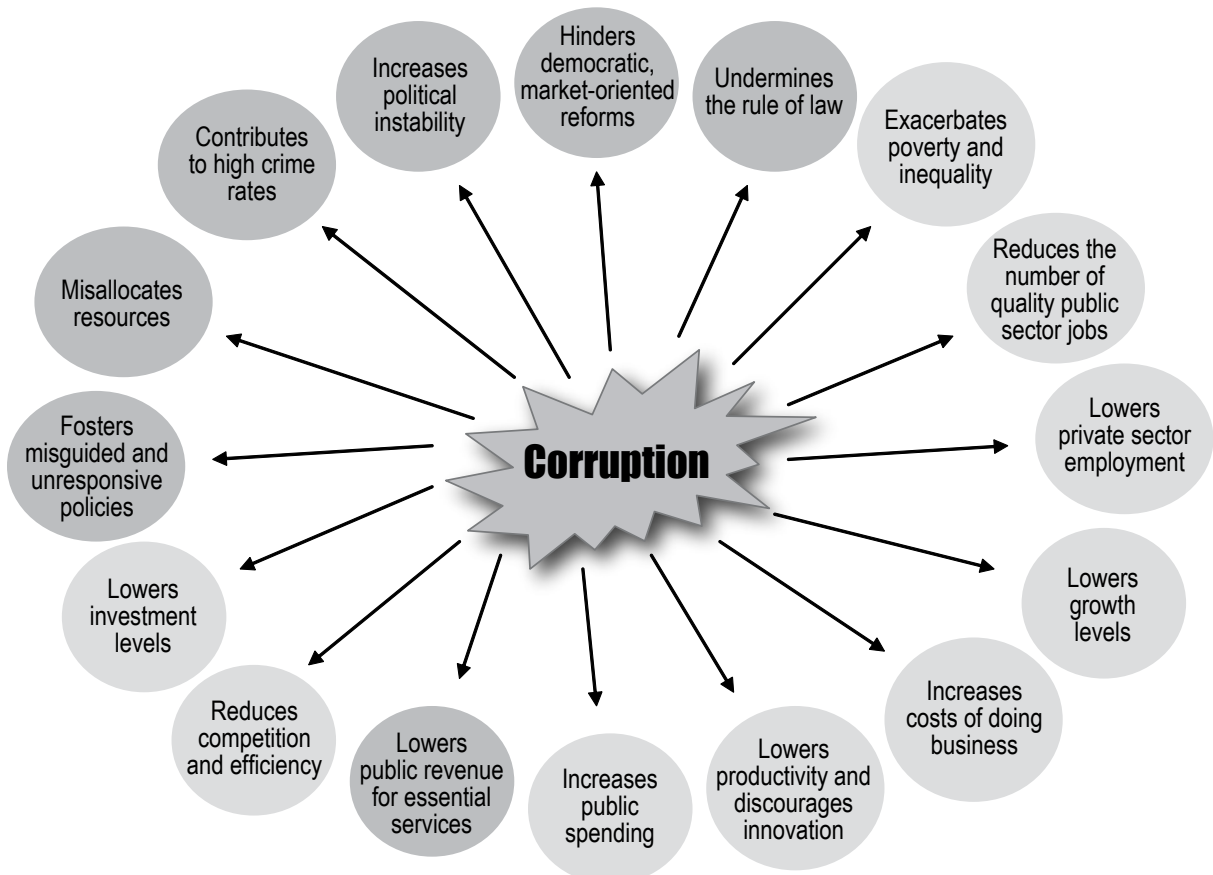
and Africa. The United States must take aggressive measures to combat corruption and terrorism by assigning more personnel, training, and resources to achieve greater stability, thus leading to a reduction of poverty and an improved climate for democracy.

To defeat extremism in Iraq and the world in the 21st century, the U.S. must: 1) prioritize anti-corruption efforts, 2) operationalize these efforts, and 3) apply lessons learned from Iraq. We ignore corruption or remain complacent about it at our own peril. Lincoln's haunting words during the U.S. Civil War apply to our current situation: "I see in the near future a crisis approaching that unnerves me and causes me to tremble for the safety of my country... an era of corruption in high places will follow."¹⁶

The Nature and State of Kleptocracy

The United States and other countries have led the fight against global corruption for several decades.

In 1977, Congress passed the Foreign Corrupt Practices Act, which made it a criminal offense for a U.S. citizen or firm to offer bribes to officials of foreign governments.¹⁷ In his analysis, "The United States and International Anti-Corruption Efforts," John Brandolino claimed that efforts to fight corruption gained international support during the 1980s because prior to that time, corruption was only discussed loosely among governments.¹⁸ However, Brandolino believes that the global stage experienced an anticorruption awakening in which many governments began to subscribe to the belief that combating corruption was important to their interests. Figure 1 depicts the principal effects of corruption. Brandolino says these effects led Organization for Economic Cooperation and Development member countries to adopt a 1994 recommendation that criminalized the bribery of public officials and later led Western Hemisphere countries to enact the Inter-American Convention Against Corruption in 1996.¹⁹



This diagram on the effects of corruption is based on Center for International Private Enterprise, "Economic Reform Issue paper No. 0409," 22 September 2004.
SOURCE: Center for International Private Enterprise

Figure 1. The effects of corruption.

International efforts designed to curb corruption have shined the spotlight on kleptocracies in recent years. In 2006, President George W. Bush announced the *National Strategy to Internationalize Efforts against Kleptocracy*, drawing attention to governments or states in which those in power exploit national resources and steal. This initiative came to the forefront of the international agenda because of other global efforts to reduce corruption, such as the 2003 United Nations Convention against Corruption.²⁰ In a statement on kleptocracy, President Bush said:

For too long, the culture of corruption has undercut development and good governance and bred criminality and mistrust around the world. High-level corruption by senior government officials, or kleptocracy, is a grave and corrosive abuse of power and represents the most invidious type of public corruption. It threatens our national interest and violates our values. It impedes our efforts to promote freedom and democracy, end poverty, and combat international crime and terrorism. Kleptocracy is an obstacle to democratic progress, undermines faith in government institutions, and steals prosperity from the people. Promoting transparent, accountable governance is a critical component of our freedom agenda.²¹

The strategy aims to deny kleptocrats access to financial safe havens, to prosecute foreign corruption offenses vigorously, to strengthen multilateral action against bribery, to facilitate and reinforce responsible repatriation, and to use, target, and internalize enhanced capacity.²²

Nonetheless, despite these international efforts to fight corruption and kleptocracy, the overall global strategies are woefully insufficient. As the dire situation in Iraq indicates, much more work needs to be done to facilitate and strengthen a framework to undermine kleptocracy and corruption before U.S. forces are withdrawn. Tao Wenzhao, a researcher with the Institute of American Studies under the Chinese Academy of Social Sciences, claims that recent history demonstrates that new anti-corruption and anti-kleptocracy strategies are acutely failing and believes that international cooperation is imperative: "International cooperation needs a wide range of mechanisms for sharing information, tracking

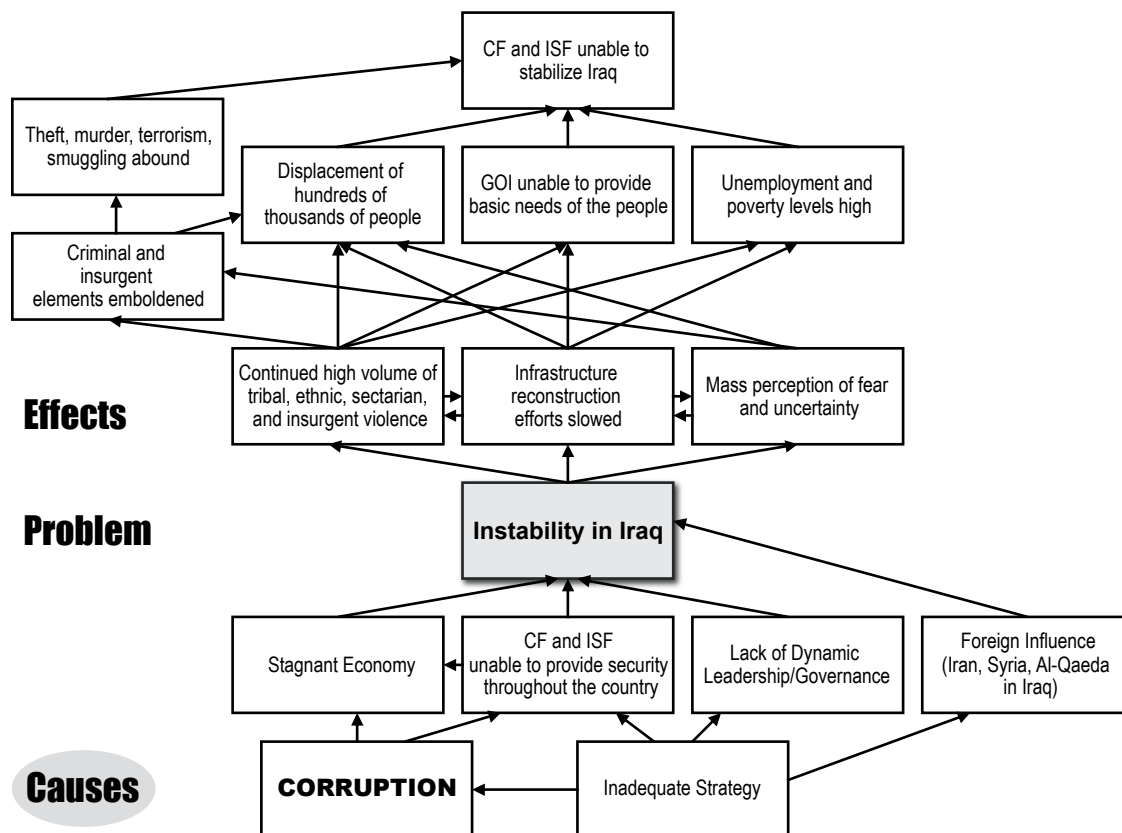
down the corrupt people, and freezing their illicitly acquired assets. Only with these mechanisms in place and operating efficiently can a real escape-proof net be set up for corrupt officials."²³ Wenzhao maintains that mutual trust is key to overcoming the obstacles created by different judicial frameworks and ideologies in different countries.

Accounting and Auditing in Anti-Corruption

Since the overthrow of Saddam Hussein in 2003, corruption in Iraq has had a debilitating effect on U.S.-led efforts (see the problem tree in Figure 2 outlining the principal causes and effects of instability in Iraq). "Iraq [is] among those countries showing the highest levels of perceived corruption... Transparency International's 2008 Corruption Perceptions Index highlights the fatal link between poverty, failed institutions and graft."²⁴

The lessons of post-war reconstruction in Cambodia, Congo, and Afghanistan unequivocally demonstrate that Iraq must proactively pursue a much more transparent and accountable system. For instance, after three civil wars that ravaged the country, the Republic of Congo has made marked economic and political gains in recent years. The International Monetary Fund (IMF) reports that between 1999 and 2003 economic growth in the non-oil sector has strengthened, fiscal performance has improved, inflation has decreased, and political stability and security have shown remarkable gains.²⁵ The Congo is still beset with civil unrest and humanitarian problems, but from 1998 to 2007 the country has "shown substantial improvements in governance... and in Regulatory Quality."²⁶ Implementing effective accounting and auditing mechanisms was the key to this progress. In an action that could serve as a model for other oil-producing countries, the authorities enhanced transparency in the oil sector by adopting innovative solutions such as publishing key oil sector information on the Internet. In addition, the Republic of Congo has been participating in the Extractive Industry Transparency Initiative since 2005.

On the importance of accounting and auditing, the IMF recommends that "countries take a number of steps to strengthen their public financial management systems, such as putting in place an adequate and coherent accounting framework for



SOURCE: Luis Carlos Montalván and George Plinio Montalván

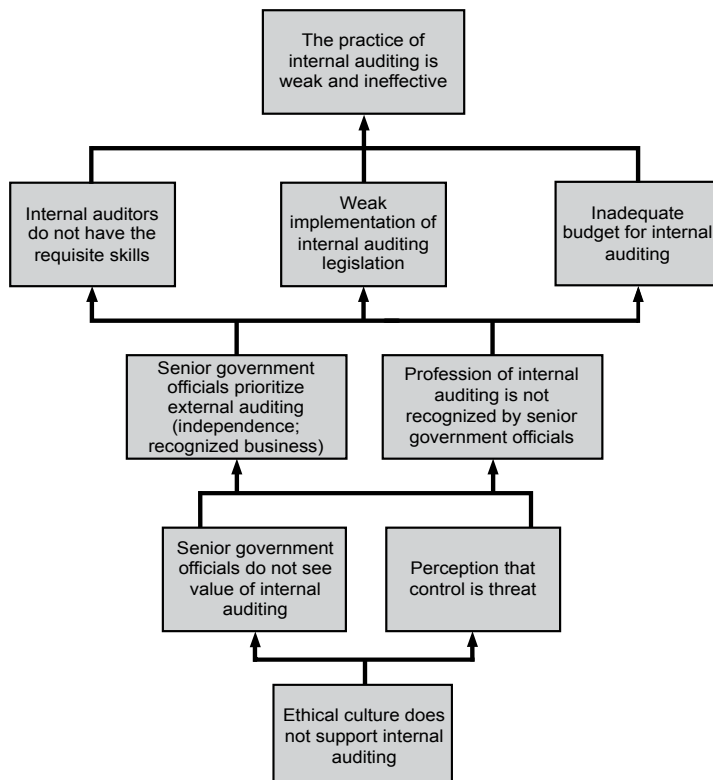
Figure 2. The causes of instability in Iraq.

tracking spending, enforcing accountability, and meeting fiduciary requirements; regular and timely fiscal reporting; and establishing a sound system of internal control to ensure that public expenditure is executed in accordance with the approved budget and the established regulatory framework.”²⁷

In the absence of effective accounting and auditing mechanisms, progress in Iraq will remain a pipedream. Accounting involves measuring and disclosing the financial information decision-makers use for effective resource allocation. Auditing, on the other hand, can be either or both internal and external. In external auditing, an *independent* auditor examines financial statements in order to express an opinion.²⁸ In internal auditing, *in-house* auditors—similar to inspectors general in U.S. agencies—conduct an examination and submit the results to management. Non-governmental organizations (NGOs) have pursued strategies of accounting and auditing to combat corruption. (Figure 3 outlines cause and effect relationships pointing to why auditing tends to be weak in devel-

oping nations.) The U.S. Agency for International Development (USAID) has had notable success in countering entrenched corruption by increasing transparency and accountability. In Honduras, Kazakhstan, and Russia, USAID has achieved remarkable success by strongly encouraging the adoption of audit and accounting systems and providing educational programs to citizens about how their governments work.²⁹ In addition, the European Union (EU) has sought to reduce corruption in its member countries and institutions by urging companies to apply modern accounting standards and to adopt effective internal audit schemes and codes of conduct.³⁰

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SOURCE: George Plinio Montalván and members of the International Auditing and Assurance Standards Board (IAASB)

Figure 3. Auditing issues in developing nations.

Prior to the recent Russian military incursion into contested cultural ancestral territory, Georgia was a potential gold standard in the accounting and auditing testing arena. In 2005, the Georgian government proposed a new Law on Accounting and Auditing that aimed to establish a consistent legal framework for accounting and auditing to combat corruption. The Georgian model established a statutory framework, accounting and auditing standards, and monitoring and enforcement measures. Moreover, it encouraged active engagement of accounting and auditing professionals, plus education and training.

Because of the recently signed Status of Forces Agreement, we need to take similar steps immediately to address the widespread corruption in Iraq. Accounting and internal and external auditing systems must be installed ministry-by-ministry, with appropriate information placed on the Internet. USAID's report on anti-corruption and good governance concludes, "The skills of accounting and auditing are making an important contribution

to the transparency of developing countries."³¹ This conclusion is particularly relevant to Iraq.

Freedom of and Access to Information

A popular government, without popular information, or the means of acquiring it, is but a prologue to a farce or a tragedy; or, perhaps, both. Knowledge will forever govern ignorance: And a people who mean to be their own Governors, must arm themselves with the power which knowledge gives.

—President James Madison.³²

Dissemination of information from the government to its citizens is important to a country's stability. President Lyndon Johnson contributed significantly to the transparency of political information when he enacted the Freedom of Information Act (FOIA) on 4 July 1966. (Ironically, Colonel(P) H.R. McMaster made use of the FOIA to show in his 1997 book, *Dereliction of Duty*, that in the Vietnam War, President Johnson was not being truthful to Congress or the American people.)

This Act gave American citizens the right to observe the process of government by granting access to information from federal government agencies.³³ The law remains effective today. Journalists and individual citizens have access to various documents (except private personal information) through the Freedom of Information Act.

In 1974, Congress incorporated a judicial review of agency decisions that narrowed some political issues exempt from public view.³⁴ This act enabled public citizens to observe most government-held meetings. Citizens could attend meetings except when the agency's council publicly presented valid reasons for exemption of information disclosure. Government agencies publicly announce the following information before each meeting: location, time, and the name and number of the selected official responsible for responding to the citizens' requests. In addition, agencies ensure easy accessibility to the public, including minutes and electronic recordings of discussions covered in each meeting.³⁵ Since FOIA's enactment, public information officers have played an intricate and important role in FOIA requests. They provide information

to the media and public in accordance with the standards of their profession.³⁶ Public information is also protected from unlawful removal, alteration, and deterioration.³⁷

President Bill Clinton strengthened the FOIA's foundation by implementing the Electronic Freedom of Information Act in 1994. He addressed the heads of departments and agencies in a memorandum as follows: "I remind agencies that our commitment to openness requires more than merely responding to requests from the public. Each agency has a responsibility to distribute information on its own initiative, and to enhance public access using electronic information systems. Taking these steps will ensure compliance with both the letter and spirit of the Act."³⁸

Electronic information systems have given citizens more exposure to the process of government. The United States is not the only country that utilizes a Freedom of Information Act. Provisions of this act were promulgated internationally in 1982 once it was passed at a federal level in Australia. In addition, Turkey, Canada, Finland, Hong Kong, India, Germany, and 60 other countries have passed laws granting access to information.³⁹ Similar to the American people, citizens of other countries yearn for information about government activities. More and more countries are placing their procurement information on the Internet. Freedom of information laws continue to spread worldwide. This enhanced transparency strengthens democracies, tends to reduce conflict by promoting openness, and supports participatory development among citizens in countries around the world.⁴⁰ Still, many countries have not yet passed and implemented freedom of information laws. Argentina, Kenya, Indonesia, Jordan, Sri Lanka, Uganda, and ten other countries currently have pending legislation.⁴¹ Unfortunately, Iraq, Venezuela, Sudan, and Nigeria have not yet made any attempt to implement freedom of information legislation. As the saying goes, "information is

the oxygen of democracy." Government's failure to disseminate information corrodes a nation's economic and social wellbeing. A public's obliviousness to its country's political corruption helps undermine a society's overall health, while transparency is the life blood of democracy. Little or no transparency allows not only corruption, but also leads to cynicism about democratic values. Government has a duty to report the use of public funds to its citizens.

Successful Anti-Corruption Tactics

Proactive law enforcement, political operations, and information operations are important strategic elements of anti-corruption that a number of countries around the world have used successfully. The governments of Hong Kong, Kenya, and South Korea have made headway in effectively reducing corruption through public information. These lessons add to the compendium of successful anti-corruption practices that offer strategies to use in Iraq and elsewhere.

Greater economic and social prosperity came to Hong Kong when the British colonial government established the Independent Commission against Corruption (ICAC) in 1974. The mission of this organization was to vigorously enforce anti-corruption in Hong Kong. The Independent Commission against Corruption aimed to "(1) pursue the corrupt through effective detection, investigation, and prosecution; (2) eliminate opportunities for corruption by introducing corruption-resistant practices; and (3) educate the public on the evils of corruption and foster their support in fighting corruption."⁴²

Before the ICAC's establishment, *triad* gangs bribed, extorted, and threatened street vendors. Corrupt police and crooked government officials protected the gangs. These officials, however, were immediately terminated from their positions once the commission began operations. The ICAC used a three-pronged strategy to decrease corruption in Hong Kong: strict law enforcement, community education, and corruption prevention.⁴³ The ICAC demanded free education and improved public housing to reduce the cost of living for Hong Kong citizens and thus their susceptibility to bribery. (Corrupt activities flourished because of the limited number of homes and educational opportunities

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during the 1960s.)⁴⁴ The Hong Kong government and the ICAC also initiated an aggressive IO campaign. Anti-corruption slogans such as “[c]orruption won’t vanish on its own. Report corruption to the ICAC and together we can build a fairer, better world” drew positive reactions from many citizens who then continued to support anti-corruption initiatives.⁴⁵ The IO campaign and a multi-faceted strategy including innovative law enforcement techniques enabled Hong Kong to become one of the world’s least corrupt cities.⁴⁶

In Kenya in 2003, President Mwai Kibaki implemented a bold political strategy that became a remarkable anti-corruption success story. Kibaki established the National Rainbow Coalition (NARC) to eliminate dishonest practices in Kenyan government and politics, improve education, destroy corruption, and stimulate economic growth.⁴⁷ Kibaki was the first Kenyan president to rise to office on an anti-corruption platform. Prior to his presidency, Kenya was ranked among the world’s most corrupt countries.⁴⁸ After enduring widespread government corruption for 39 years, most Kenyan citizens were elated to support Kibaki’s anti-corruption efforts. Soon after NARC was established, Kibaki courageously dismissed his entire advisory council for lack of dedication to anti-corruption initiatives and appointed a new council that supported NARC’s intent. Progress is slow, but steady. Kibaki and his council continue to attack corruption and enjoy the respect, loyalty, and support of citizens of Kenya.⁴⁹

South Korea offers an example where law enforcement countering corruption has gained momentum. According to Transparency International’s 2008 Corruption Perception Index, South Korea is ranked 40th of 180 countries in transparency and anti-corruption.⁵⁰ Failure to enforce the mandate of the Korean Independent Commission against Corruption (KICAC) in 2002 would have made South Korea’s notable accomplishment unattainable.⁵¹ In earlier years, transparency among government officials was almost non-existent: “Ministries operated according to vague or unwritten rules with no judicial review. The level of corruption increased and many business corporations and government officials were prosecuted for bribery and other acts of wrong-doing.”⁵² However, corruption in South Korea has decreased tremendously since the KICAC’s development.

This organization ensured that the government and its agencies implemented anti-corruption policies against money laundering, bribery, and other deceitful acts. The level of transparency of South Korea’s government continues to play a key role in the country’s success against corruption.

Moreover, a decade-old example when North and South Korea improved their relationship by pursuing the “sunshine policy of engagement” should be discussed.⁵³ Formulated by South Korea’s President Kim and his advisor Lim Dong Won, the Sunshine Policy encouraged engagement and transparency among North and South Koreans. South Koreans provided North Koreans with employment opportunities, 100,000 tons of fertilizer, and 600,000 tons of food.⁵⁴ The Sunshine Policy’s greatest achievement was the June 2000 Summit, which gave the two countries the opportunity to reunite.⁵⁵ A five-point joint declaration was signed by each president promising to resolve humanitarian issues promptly, promote “balanced development of the national economy through economic cooperation and exchange,” and independently achieve reunification.⁵⁶ After the events of 9/11 and delays in trilateral negotiations, the Bush Administration decided to include North Korea in the “Axis of Evil.” The Sunshine Policy that had been greatly effective in increasing transparency between the two nations became strained. The increased cooperation between the two countries with opposite forms of government and ideology, which was directly due to the transparency initiatives, was halted. Nevertheless, the Sunshine Policy remains a noteworthy historical model of the possibilities of transparency initiatives in action.

Iraq

Iraq is a different story. The people of Iraq feel a great sense of despair and hopelessness largely because for many years they have witnessed a very high level of corruption, which has persisted until now.⁵⁷ Indeed, corruption may be one of the few cultural traits that has been institutionalized in Iraq.⁵⁸

From 2003 to the present, Iraq’s Commission on Public Integrity, now called the Commission on Integrity, has been consistently undermined in its mission to bring forward and assist in the adjudication of corruption cases. Legal loopholes, corrupt

officials, insufficient funding, personnel shortages, lack of resources and, as reporter Matt Kelley put it, “plain ole” American negligence are among the causes.⁵⁹ According to Stuart Bowen, the special inspector general for Iraq reconstruction (SIGIR), “they haven’t been able to accomplish too much over the past year because of that weak capacity.”⁶⁰

Coalition forces (CF) and the Iraqi government must get serious about the corruption pandemic to give Iraqis any faith in their new federal government. Great pessimism will continue if CF and Iraqi officials fail to institute effective anti-corruption measures. They must support existing anti-corruption strategies and work diligently to develop new ones. Lessons learned from anti-corruption practices in Hong Kong, Kenya, South Korea, and other countries can contribute to reducing Iraq’s rampant, debilitating corruption.

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Beyond Iraq

In a January 2007 report, the Government Accountability Office (GAO) recommended that the National Security Council improve its current strategy by “articulating clear roles and responsibilities, specifying future contributions, and identifying current and future resources.”⁶¹ In addition, the report urged the United States, Iraq, and the international community to “develop a comprehensive anti-corruption strategy.”⁶² A number of anti-corruption and transparency enhancing initiatives were instituted by the Department of State (DOS) and Department of Defense (DOD) with the support of some NGOs. However, the World Bank’s Worldwide Governance Indicators project, which “reports aggregate and individual governance indicators for 212 countries,” presently ranks Iraq at 212 for “Control of Corruption.”⁶³

The following are recommendations for anti-corruption efforts in Iraq and beyond:

- Fully develop and implement a Combined Strategic Anti-Corruption Action Plan. In July 2006,

the Office of the SIGIR, reported the need for a U.S. Embassy-Iraqi Anticorruption Program. In June 2008, the U.S. produced an anti-corruption strategy that according to the SIGIR, “lacks metrics that tie program activities to goals, as well as baselines from which progress can be measured. Consequently, the U.S. government has not established a basis for assessing the program’s impact on reducing corruption in Iraq. This leaves future program investments vulnerable to wasteful spending, ineffectiveness and inefficiency.”⁶⁴

- Insist that the Iraqi government fully staff, support, and fund anticorruption measures. In August 2008, the GAO reported that Iraqi officials noted “a shortage of trained budgetary, procurement, and other staff with the necessary technical skills as a factor limiting the Iraqi government’s ability to plan and execute its capital spending.”⁶⁵ This is partially attributable to the “brain drain” of technocrats who have taken refuge mostly in neighboring countries. Many must be enticed back with guaranteed high salaries and special protection. The SIGIR stated that “weak procurement, budgetary, and accounting systems are of particular concern in Iraq because these systems must balance efficient execution of capital projects while protecting against reported widespread corruption.”⁶⁶

Ten million dollars in Iraq relief and reconstruction funds have been earmarked for the DOS Anti-corruption Program, but the U.S. directed that “not more than 40 percent of the funds appropriated for rule-of-law programs may be made available for assistance for the Iraqi government until the Secretary of State reports that a comprehensive anticorruption strategy has been developed, is being implemented by the Iraqi government, and the Secretary of State submits” additional information to Congressional Committees.⁶⁷

- Assist drafting and ratifying new Iraqi anticorruption and transparency-enhancing legislation. The Iraqi government should draft and ratify legislation similar to the U.S. Sunshine Act of 1976, with appropriate adjustments, as well as other freedom of information legislation to provide greater transparency. Similar to the ICAC in Hong Kong, new legislation granting greater law enforcement powers to the Iraqi Commission on Integrity and the Board of Supreme Audits should be passed to provide more “teeth” to the commission’s investigative ability.

The Law and Order Task Force, Joint U.S.-Iraqi Task Force, and Iraqi Joint Anti-Corruption Committee, in conjunction with Ambassador Lawrence Benedict (coordinator for anticorruption initiatives), should review all laws on the books to determine what legislation is not enforced, what has worked, and what is needed.

To adjudicate cases of corruption swiftly and adequately, Iraqi Criminal Procedure Code, Paragraph 136B, written in 1971 by Saddam's regime, must be changed. It affords ministers the ability to determine whether those indicted for corruption charges should be prosecuted or not.⁶⁸

- Develop Iraqi freedom of information (FOI)/access to information (ATI) transparency initiatives. All Iraqi ministries should assign public information officers and fully support them in complying with new FOI/ATI legislation and initiatives. More open dialogue and access can mitigate mistrust among tribes, sects, and ethnic and other interest groups. Government officials and Iraqi citizenry must have more information to advance understanding and compromise.

- Expedite implementation of the Iraqi-Financial Management Information System (IFMIS). In 2008, the GAO reported that "USAID began the IFMIS system in 2003, experienced significant delays (6 years), and suspended the IFMIS system in June 2007." In December 2006, USAID informed SIGIR that its new Economic Governance II Project included the installation of an FMIS, designed to improve ministerial budgeting, accounting, and cash management by September 2007.⁶⁹ The July 2008 SIGIR report indicates that "continued slow progress on implementing the new IFMIS limits the transparency and efficiency of Iraq's budgeting system."⁷⁰

Hardware and application software are desperately needed to enhance Iraqi accounting and auditing capacity, which is still done manually. Incompetent stewards, without sufficient accounting and auditing systems, have mismanaged billions of Iraqi and American dollars.⁷¹

In response to questions about why he implemented no systems of accountability and auditing to oversee reconstruction efforts, Retired Admiral David Oliver, former CPA Director of Management and Budget and senior advisor to the Iraqi Ministry of Finance, said of Iraq's money: "Billions of dollars of their money disappeared. Yes I understand, I'm saying what difference does it make?"⁷² Billions of Iraqi dollars lost due to lack of accountability exacerbated the existing culture of corruption, cost American taxpayers untold billions, and contributed to the development of the insurgency.

• Assert pressure on the Iraqi government to appoint, maintain and utilize cabinet-level ministry inspectors general. In January 2008, Prime Minister Nuri Kamal al-Maliki labeled 2008 "the anticorruption year" for Iraq. Recently, the Iraqi government dismissed "from a handful to as high as 17" ministerial-level inspectors general.⁷³ "Several senior Iraqi and American officials agreed that seven to nine inspectors have already been fired or forced into retirement."⁷⁴ While the Iraqi Constitution affords the Prime Minister the right to remove inspectors, moves of this kind are seemingly partisan and may even signify the worsening of corruption and the abuse of power.

- Enforce anti-oil-smuggling law with vigor. Iraq's 19 ports of entry must be locked down. Billions of dollars of goods and hundreds of thousands of people move across the border annually. Securing the borders and ports of entry is essential for the security of Iraq and the key to reducing leakage of government revenue, reconstruction supplies, and materiel leaving the country. Oil smuggling is the most prevalent and significant problem.⁷⁵ The absence of metering systems in the oil fields facilitates smuggling.⁷⁶

- Fully staff and utilize advisors at all levels. According to a recent report by the SIGIR, "Certain Iraqi ministries deny U.S. advisors visibility into their budgets (e.g., the Ministry of Electricity), exacerbating the financial planning challenges caused by the volatile price of oil. The Iraqi government committed just over \$20 billion for capital reconstruction projects in 2008. But lack of access to Iraqi budget data limits U.S. knowledge of actual budget execution rates."⁷⁷

American advisory teams should be part of the anti-corruption efforts at all echelons. Advisory personnel shortfalls still exist at even ministerial levels.⁷⁸ At the ministerial level, complete transparency must be afforded to ministerial advisory teams or corruption will remain one of the largest obstacles to progressing autonomous governance.

Military transition teams, using a revised transitional readiness assessment with corruption metrics, should reflect the status of corruption within ISF units at all levels.

- Request more assistance from NGOs. Organizations such as the World Bank and the IMF should increase their assignments of experts to assist with the development of economic and financial planning, and these organizations should provide more projects and funding to strengthen Iraqi governance.

- Further develop anti-corruption doctrine and develop it jointly. FM 3-24 *Counterinsurgency* and the new FM 3-07 *Stability Operations* only briefly discuss corruption. FM 3-07 mostly defers anti-corruption efforts to USAID. However, DOD personnel continue to staff the majority of Iraqi government advisory positions. USAID's Anti-corruption Strategy (2005) is fairly new and should be developed further with interagency collaboration.⁷⁹

Corruption corrodes democracy. If our objective is to leave a stable, democratic Iraq, we must prioritize the institutionalization of strong, sustainable anti-corruption systems. The recommendations offered above can add to the collective discussion concerning how America and Iraq proceed forward. Additional recommendations are presented in Figure 4 below. The U.S. military must rapidly evolve to deal effectively with the current situation and threat.⁸⁰ As former Secretary of State Colin Powell has said, we must "work with the Iraqi government to do everything we can to provide equipment, advisors, and whatever the Iraqi armed forces need to become more competent, and to train their leaders."

Conclusion

At the dawn of the 21st century, global consensus has recognized that corruption fundamentally

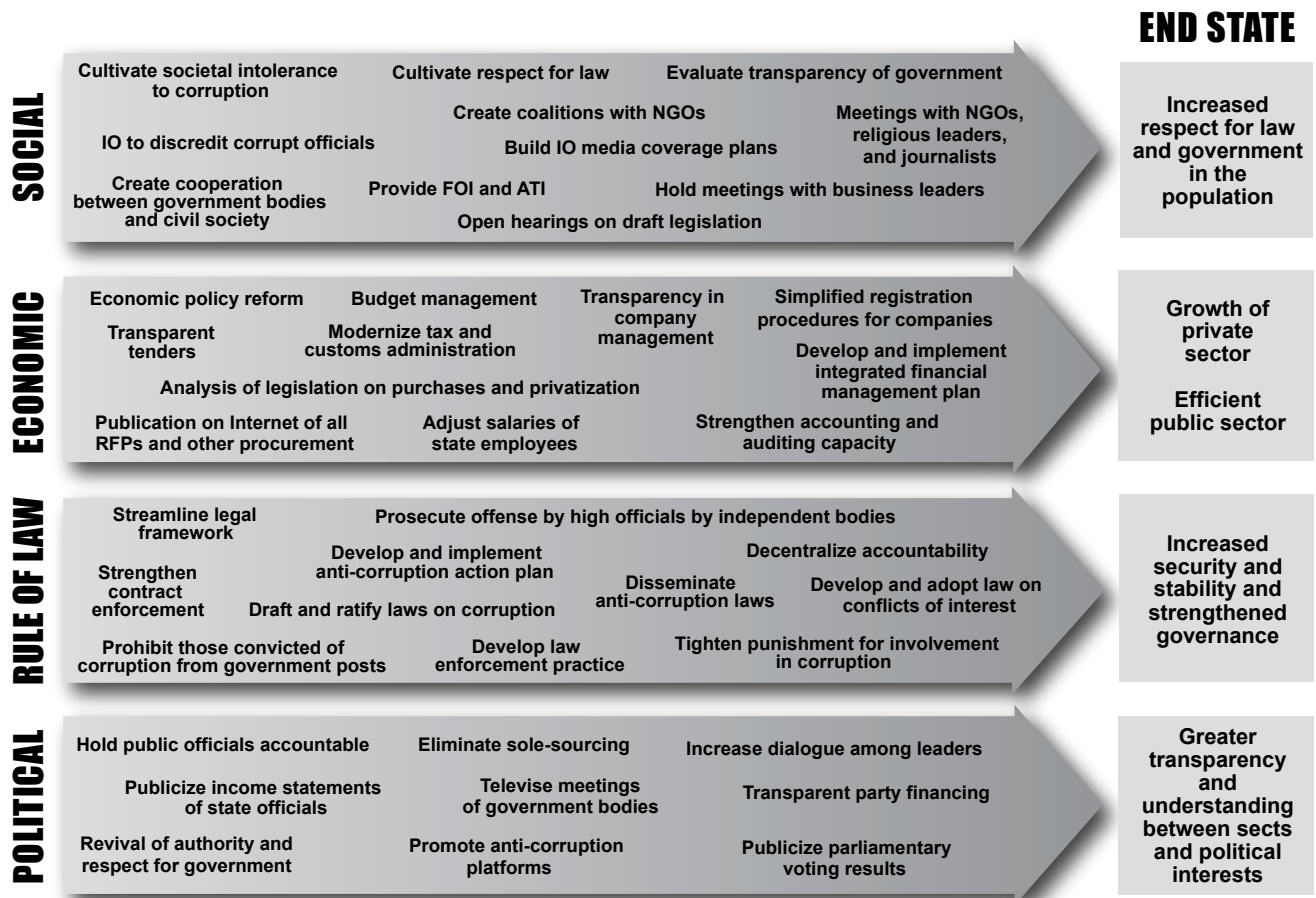


Figure 4. Anti-corruption lines of operation.

weakens the legitimacy of democracies and that reducing corruption is essential to enhance social cohesion and broaden participation in economic and political life. As the most powerful nation in the world, the U.S. has taken steps to develop a new foreign policy strategy for a new era. In 2001, the events of 9/11 dramatically altered our national policy and ushered in the War on Terrorism. While important, this strategy emphasizes measures to address rogue elements and governments already sponsoring terrorism.

Counteracting the message resonating with terrorists and extremists requires a comprehensive strategy in Iraq and around the world.⁸¹ This strategy must include measures against corruption. Corruption is a significant challenge to good governance in Iraq.⁸² The pre-existing culture of corruption in Iraq has steadily increased to endemic proportions

since the 2003 invasion and is undermining our efforts to stabilize the country.

The Status of Forces Agreement recently passed by Iraq's parliament means that by 2011 we must withdraw all forces. President-elect Barack Obama made a campaign promise to extricate all troops in the first 16 months of his administration. Whichever timeline becomes reality, it is imperative that strong systems-based anti-corruption measures be made a strategic priority in order to enhance governing capacity in the current status of Iraq's fragile state.

A trend is emerging. Nations with economies overly dependent on oil have high levels of corruption and, in turn, foment extremism.⁸³ To defeat extremism in Iraq and throughout the world in the 21st century, the United States must take immediate action against corruption of every kind to prevail in this long and important war.⁸⁴ **MR**

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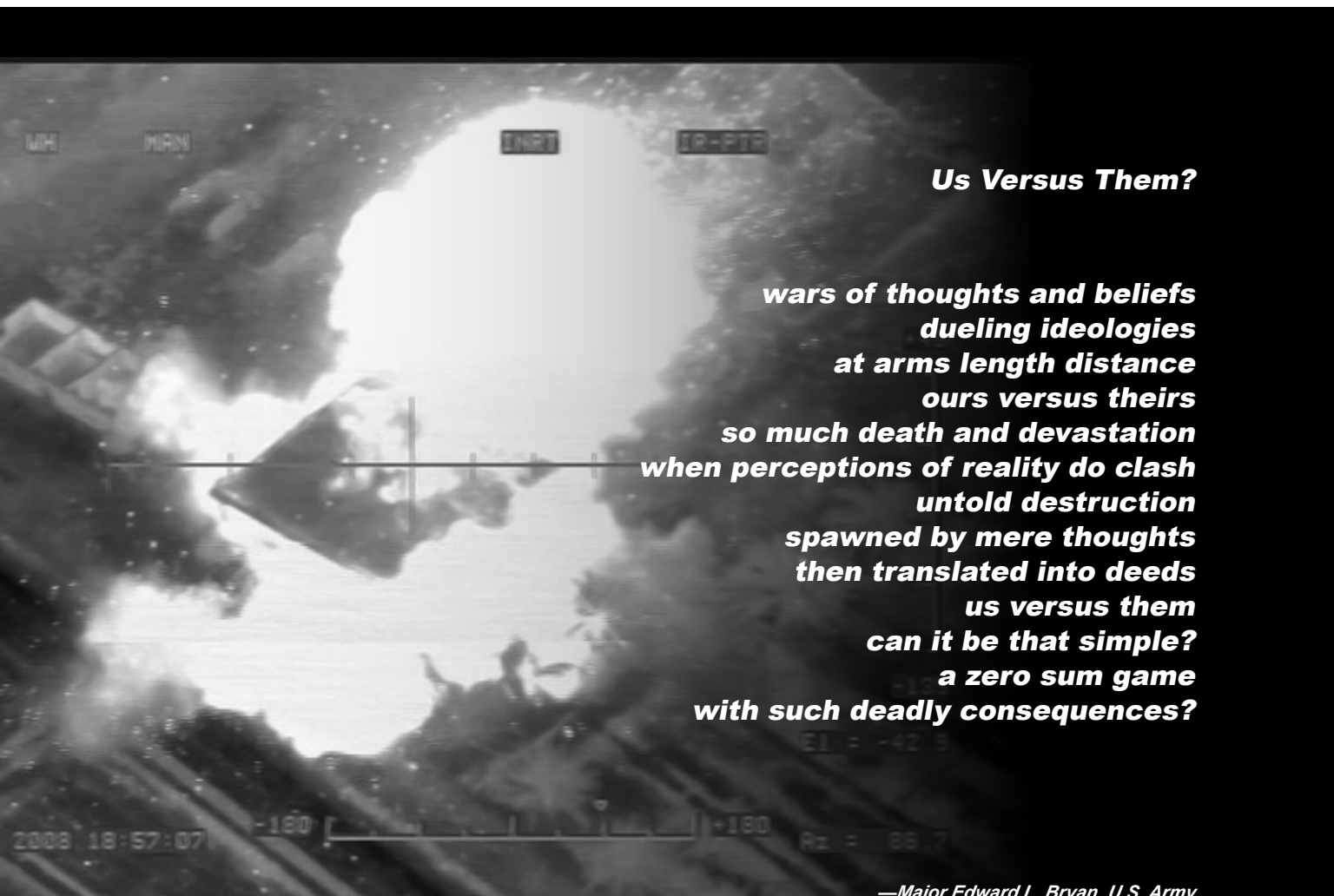
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A photograph taken by an unmanned aerial vehicle of three insurgent safe havens during their destruction by nine rockets from a Guided Multiple Rocket Launch System, 18 January 2008. (U.S. Army, SGT Natalia Rostek)