SIGIR OBSERVATIONS

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This was an eventful and productive quarter for SIGIR. The Inspector General completed his 34th trip to Iraq since 2004, SIGIR issued its final lessons-learned and audit reports, and the Congress provided additional funding to allow SIGIR to complete ongoing investigations of criminal activity in the Iraq reconstruction program.

During the Inspector General’s recent visit to Baghdad, he met with Prime Minister Nuri al-Maliki, Deputy Prime Minister Hussain al-Shahristani, Council of Representatives Speaker Osama al-Nujaifi, and other senior Iraqi leaders. He had informative engagements with U.S. Ambassador to Iraq Robert Stephen Beecroft, U.S. Agency for International Development (USAID) Mission Director Thomas Staal, and Major General Rick Martin of the Office of Security Cooperation-Iraq (OSC-I). The Inspector General also received updates on SIGIR investigation cases in Iraq.

On March 6, SIGIR issued its ninth and final lessons-learned report, Learning From Iraq. This comprehensive study covers the use of $60 billion appropriated by the Congress for the relief and reconstruction effort, providing a thorough review of 10 years of U.S. rebuilding activities. It concludes with seven final lessons drawn from the Iraq experience.

In early March, SIGIR issued the final of its 220 audits produced over the past nine years. The report, entitled “Government Agencies Cannot Fully Identify Projects Financed with Iraq Relief and Reconstruction Funds,” examines each of the five major funds that supported the Iraq rebuilding enterprise. Echoing several prior studies, the audit found grave weaknesses in the systems that ostensibly tracked the various agencies’ expenditures on programs and projects, concluding that at least $8 billion of the U.S. money was lost to waste. With the issuance of this final review, SIGIR concluded its audit program, pursuant to its closure and transition plan.

In late March, the Congress approved funding for SIGIR to continue its investigative work. The extension will allow completion of many of 61 open cases and will permit the SIGIR prosecution team housed at the Department of Justice to obtain more convictions and increase total recoveries. To that end, SIGIR expects to secure at least 20 convictions before the end of the fiscal year and to achieve another $100 million in court-ordered fines, forfeitures, restitution payments, and other penalties, which would add to the $192 million in investigative monetary results to date.

In early April, the Inspector General appointed Paul Cooksey as Deputy Inspector General. Previously, Mr. Cooksey had served three years in Baghdad as SIGIR’s chief of staff and attaché.

Section 2 of this report describes SIGIR’s investigative accomplishments since publication of the October 2012 Quarterly Report, including 7 indictments, 8 convictions, 12 sentencings, and almost $12 million in monetary results. Section 3 reviews the evolution of SIGIR’s investigative operations in Iraq, recapping some of the cases that provided insight into patterns of criminal activity in Iraq and laid the groundwork for innovation in SIGIR’s law-enforcement activities.
TRIP 34

The Inspector General’s late March trip included meetings with senior U.S. and Iraqi leaders. Prime Minister al-Maliki focused on recent Development Fund for Iraq (DFI) work. SIGIR’s last report addressing the DFI, issued in late January, concluded that about $11.7 billion in DFI (Iraqi) money was poorly controlled, with the funds potentially subject to fraud, waste, and abuse. The Prime Minister expressed interest in pursuing recovery of the “lost” DFI money and engaged in a lengthy colloquy with the Inspector General about details related to that possibility. The Inspector General met subsequently with the Prime Minister’s Chief of Staff, Dr. Hammid Ahmed, to review the likely challenges and consequences of pursuing such a course of action.

Deputy Prime Minister al-Shahristani discussed expectations for continuing increases in electricity output and reviewed Iraq’s plans for its upcoming oil-contract bidding round. In the first two months of 2013, Iraq’s crude oil production averaged 2.94 million barrels per day (MBPD), a 13% increase from the same period last year; and exports averaged 2.44 MBPD, a 19% increase. Deputy Prime Minister al-Shahristani also expressed grave concerns about the situation in Syria, voicing fears about the destabilizing effects spilling into Iraq from activities of al-Nusra Front, which has al-Qaeda connections.

Speaker al-Nujaifi echoed complaints about the U.S. use of DFI money, particularly in 2003 and 2004. He further offered a dour review of the overall rebuilding program’s effects on Iraq. Finally, the Speaker reiterated concerns articulated in previous meetings regarding the collapse of reconciliation efforts in Iraq and the increase in ethnic-sectarian polarization and consequent violence.

Dr. Abdul Basit Turki al-Sae’ed, the Acting Governor of the Central Bank of Iraq (CBI) and long-standing President of the Board of Supreme Audit, provided revealing insights into his new mission at the CBI. He said he discovered, upon acceding to his position at the CBI last October, that Iraq’s money-laundering regulations had gone unenforced for the past 10 years. The amount lost to money laundering during that span potentially numbers in the hundreds of billions of dollars. Dr. Basit reported that he was holding down the amount of the bank’s daily auctions of dollars, in part, to rein in the money-laundering problem. The Inspector General met again with Dr. Basit on April 20 in Washington, and a transcript of that interview is in this section.

Ambassador Beecroft took extended time to visit with the Inspector General during this trip. The Ambassador found much to agree with in Learning From Iraq’s lessons. Like former Ambassador to Iraq Ryan Crocker, Ambassador Beecroft believes that the proposal for a new integrated entity assigned to plan and execute stabilization and reconstruction operations (SROs) makes sense. He acknowledged the continuing need to reduce staffing under Chief of Mission authority from
its current level of about 10,000. He expects that the number will be halved by year’s end. Finally, he concurred with the continuing downsizing of U.S.-funded assistance efforts in Iraq, noting that Iraq’s 2013 budget of more than $118 billion (which the Council of Representatives approved on March 7) affords it substantial resources to support the country’s ongoing recovery.

USAID’s Mission Director Staal outlined the declining U.S. development effort in Iraq. He noted that $50 million in additional aid was included for FY 2013 but said that none was projected for FY 2014. Thus, USAID’s mission in Iraq could close at the end of 2014.

OSC-I Deputy Director Major General Martin provided the Inspector General with a detailed review of the continuing Foreign Military Sales and Foreign Military Financing programs in Iraq. The latter comprises the largest continuing U.S.-funded Iraq assistance effort. The Inspector General subsequently conducted a detailed interview with OSC-I Chief Lieutenant General Robert Caslen. A transcript of that interview is presented in this section.

LEARNING FROM IRAQ

March 6 marked the release of SIGIR’s final comprehensive study of the Iraq program. This book-length review complements SIGIR’s 2009 study, Hard Lessons, but differs substantially in format. While the latter primarily comprised detailed text that focused on the program’s early phases, the new report looks at the entire 10-year effort and includes numerous charts, tables, and photographs. A final element sets the report apart from all other SIGIR reports. Beginning in September 2012, the Inspector General interviewed 17 senior Iraqi leaders, 15 U.S. leaders, and 12 congressional members, asking their views on the effects of the rebuilding effort and what lessons were learned. The interviews, which the report describes in detail, present an instructive tableau of the Iraq reconstruction effort.

Learning From Iraq, available for download at www.sigir.mil, is divided into seven chapters. The first outlines SIGIR’s nine years of oversight, highlighting some of its 390 audits and inspections and 82 convictions. The second summarizes the 44 interviews, synopsizing the key points. Chapter three sketches a brief history of the reconstruction program’s ad hoc management structures. The fourth chapter spells out the details of the sources of $60 billion for Iraq. Then follows a chapter on how that massive amount of money was spent, providing numerous examples of programs and projects. The penultimate chapter pieces together U.S. attempts to reform its approach to SROs since 2004, and the final one sets out seven lessons drawn from the experience:

1. Create an integrated civilian-military office to plan, execute, and be accountable for contingency rebuilding activities during stabilization and reconstruction operations.
2. Begin rebuilding only after establishing sufficient security, and focus first on small programs and projects.
3. Ensure full host-country engagement in program and project selection, securing commitments to share costs (possibly through loans) and agreements to sustain completed projects after their transfer.
4. Establish uniform contracting, personnel, and information management systems that all SRO participants use.
5. Require robust oversight of SRO activities from the operation’s inception.
6. Preserve and refine programs developed in Iraq, like the Commander’s Emergency Response Program and the Provincial Reconstruction Team program, that produced successes when used judiciously.
7. Plan in advance, plan comprehensively and in an integrated fashion, and have backup plans ready to go.
FINAL AUDIT REPORT

Also on March 6, SIGIR issued its final audit report, which reviewed the use of most of the U.S. money spent during the Iraq rebuilding program. As of September 30, 2012, approximately $220 billion had been allocated to support Iraq’s reconstruction since 2003: about $145 billion in Iraqi money, about $60 billion in U.S. money, and about $14 billion in international donor funding.

SIGIR’s final audit examined about $52 billion in U.S. taxpayer dollars appropriated to the five major rebuilding sources:
- Iraq Relief and Reconstruction Fund ($20.9 billion)
- Iraq Security Forces Fund ($20.2 billion)
- Economic Support Fund ($5.1 billion)
- Commander’s Emergency Response Program ($4.1 billion)
- International Narcotics Control and Law Enforcement account ($1.3 billion)

The audit concluded the following:

Despite six months of effort in analyzing agencies’ data, SIGIR was only able to identify a plurality of the projects funded by the five principal appropriations funds. We found that incomplete and unstandardized databases left us unable to identify the specific use of billions of dollars spent on projects because the U.S. government agencies involved were not required to manage project data in a uniform and comprehensive manner.

While these agencies present broad information on their programs, they did not develop or retain accessible data regarding detailed projects. A full accounting, if ever possible, would require combing through mountains of disordered electronic and paper records accumulated since 2003 that are currently stored in multiple locations across many agencies.

Waste occurred throughout the reconstruction effort. Because of the database problems and other issues associated with operating in a hostile environment, precisely quantifying that waste is difficult. Our inability to account for specific projects, the status of projects, and their use by the Iraqis raises questions about the purpose of the spending and whether waste occurred in its use. Nonetheless, based on the 390 audits and inspections and over 600 investigations conducted by SIGIR’s audit, inspection, and investigative staff since 2004, our judgment is that waste would range up to at least 15% of Iraq relief and reconstruction spending, or at least $8 billion.

SIGIR EXTENSION

In the Full-Year Continuing Appropriations Act, 2013, which President Obama signed into law on March 26, the U.S. Congress provided SIGIR with $6 million to complete its remaining investigative work. This funding will permit SIGIR’s investigators and prosecutors to bring to conclusion a number of major cases that have been ongoing for several years. The financial results from these cases are expected to be substantial, in the neighborhood of $100 million.

IRAQ UPDATE

2013 has been a restive year in Iraq. Reverberations from the continuing conflict in Syria stirred sectarian tensions, as have a number of provocative acts by the Iraqi government. After assaults on and the apparent issuance of an arrest warrant for Minister of Finance Rafi al-Eissawi, the Minister reportedly took refuge in Ramadi at the compound of Sheik Ahmad Abu Risha (a former leader of the “Anbar Awakening,” which was supported by the U.S. and Iraqi governments against al-Qaeda in Iraq). Al-Eissawi officially resigned his post on March 1, having been replaced by a Sadrist.

The attacks on Minister al-Eissawi, which began last December, sparked major Sunni public protests in Anbar and other northern provinces. On February 1, tens of thousands of protesters blocked highways in Falluja and Ramadi. Other demonstrations occurred almost every Friday during the first three months of this year. The Government of Iraq regularly suppressed these protests, occasionally in a violent fashion. On January 25, at least five protesters reportedly were shot to death in Falluja. The situation became even more volatile on April 23 when security forces raided an encampment of protesters near Hawijah in Tameem, resulting in at least two dozen fatalities.
The level of sectarian attacks steadily rose this year as Iraq moved toward the April 20 provincial elections. Among the attacks were the following:

- January 3—as many as 27 Shia pilgrims killed by car bomb in Babylon province
- January 16—at least 16 killed by suicide car bomb at Kurdistan Democratic Party office in Kirkuk
- January 23—as many as 42 killed in suicide bombing of Shia funeral at mosque in northern Iraq
- January 25—at least 5 Sunnis killed in Falluja while publicly protesting al-Maliki regime
- February 3—as many as 33 killed by suicide bomber and car bomb in Kirkuk
- February 4—as many as 30 Sons of Iraq members and Iraqi Army soldiers killed by suicide bomber in Taji
- February 8—at least 36 killed in bombings targeting Shia areas in Baghdad, Babylon, and Kerbala
- February 17—at least 37 killed by nine car bombs in Shia neighborhoods of Baghdad
- February 28—at least 18 killed by car bomb and IEDs in northwest Baghdad
- March 14—as many as 30 killed at the Ministry of Justice
- March 19—as many as 80 killed in several provinces, including more than 50 in Baghdad, on the 10th anniversary of the 2003 invasion (al-Qaeda claimed responsibility)
- March 29—as many as 25 Shia worshippers killed by car bombs in Kirkuk and Baghdad
- April 1—as many as 50 killed in Baghdad, Tikrit, and Falluja by bombings and gunfire
- April 4—at least 25 killed in Diyala by suicide bomber attacking an election campaign meeting
- April 12—at least 12 killed in bombing of Sunni mosque near Baghdad
- April 14—at least 10 killed in northern Iraq, including a provincial election candidate in Diyala, the 14th candidate killed this year
- April 15—at least 55 killed by car bombs, IEDs, and gunfire in various locations, including 25–30 in Baghdad
- April 18—at least 26 killed by suicide bomber at Baghdad café
- April 23—as many as 70 killed in northern Iraq, including at least two dozen at a Sunni protest camp in Tameem

Heightened security on April 20, when Iraq held its first elections since the withdrawal of U.S. troops, apparently kept violence in check. According to press reports, a handful of voters were injured by small bomb blasts near polling stations, but no fatalities resulted from these attacks.

The provincial elections, in which more than 8,000 candidates vied for 447 Provincial Council seats, were held in 12 of Iraq’s 18 provinces. In addition to the three provinces in the Kurdistan Region, elections did not take place in Tameem, Anbar, and Ninewa. Elections in Tameem (Kirkuk) have been delayed indefinitely because of its “disputed territory” status. The Prime Minister unilaterally postponed the elections in Anbar and Ninewa on March 19, and the Council of Ministers subsequently set July 4 as the date to hold elections in those two provinces.

According to Iraq’s Independent High Electoral Commission, 51% of the eligible voters participated in the April 20 elections. Some observers, however, contended that voter turnout was much lower than that. In a statement issued the day after the elections, Ayad Allawi’s al-Iraqiya bloc said that security forces took on an “unacceptable role by interfering with and intimidating the citizenry and promoting certain blocs.” Election results had not been announced as of the date this report went to press.

On February 12, Iraq’s de-Ba’athification committee, officially known as the Justice and Accountability Commission, unexpectedly removed Chief Justice Medhat al-Mahmoud from his position as head of the Higher Judicial Council, the most senior position in the judiciary. The action stemmed from “new evidence” supplied by the Council of Representatives regarding Judge Medhat’s Ba’athist ties under the Saddam Hussein regime. Federal Appeals Court judge Ibrahim al-Humairi was named as his replacement. Judge Medhat has long been a helpful interlocutor for and friend to SIGIR.
Q&A With the Acting Governor of Iraq’s Central Bank

On April 20, the Inspector General sat down with Dr. Abdul Turki al-Sae’ed, the Acting Governor of the CBI and President of the Board of Supreme Audit.

Could you provide an overview of Iraq’s current economic conditions?

We expect the growth rate during this year to exceed 9%. It is clear that there is a decrease of oil prices in the markets. But it seems that international trade cannot support a decrease to less than $90 per barrel because it would create a huge problem. The unemployment problem in Iraq will be solved, especially through investment in the private sector. The public sector now is paying salaries for almost 33% of working-age people, either through normal salaries or social security or pensions or other networks of social support. If private investments will not be encouraged, the problem of unemployment will not be solved in any real way. That is why I believe that private investment will solve the problem of unemployment to a great extent, whether from local or foreign investment. Public-sector investment chiefly goes into the large infrastructure reconstruction sectors. This kind of investment creates job opportunities only when it is ongoing. Just a small percentage, for example, goes to training of doctors and new hospitals, or training of teachers and professors and new schools. We are trying to encourage foreign investment in these areas. As you know, foreign oil investment has been the priority. We hope that the security situation and the stability in the region will permit more new investment.

Can you describe your biggest challenges in your role as the Governor of the Central Bank of Iraq?

The main task of the bank right now is to extend immunity protection provided to the Development Fund for Iraq. If we get the immunity, everything else will be less risky. We are trying to create a real private banking sector. We are actually building the training center at the bank, and we are trying to link all the banking sectors into an electronic network. We hope that we are going to attract some expertise to the bank’s training center. This year the main two challenges for us are banking supervision and the anti-money-laundering campaign. And these are the two subjects on which we are focusing now.

Would you talk about those two challenges, banking supervision and money laundering?

First off, in the supervision area, we started restructuring the administrative part of the CBI. We formed working teams from the same departments, and they started a field audit related to the currency-auction files within the private banks. We started to audit the letters-of-credit files and letters of guarantees granted to the private sector and the companies. We started to organize the files of all money-transfer companies and exchange companies within the banking supervision department. We started to establish a complete database related to all these companies and banks. It is expected that in July or September we are going to complete the project, which means reporting all the banks that are not respecting or complying with the conditions of the banking provisions.

As for money laundering, we started to refer all the suspected files in the currency auctions to the anti-money-laundering office in the CBI. We are now submitting a full draft anti-money-laundering law to the Council of Representatives. We have restructured the anti-money-laundering office, and we provided them with new technologies and IT staff. They started to contact the anti-money-laundering offices with the central banks that we have relationships with in Dubai, Amman, and Beirut. We requested that the Americans give us the database they have related to this issue, but they did not give it to us yet. They are supposed to give us technical assistance to combat money laundering, but they apologized that they are not going to do that now. The Department of the Treasury said that it would not grant the technical assistance because the Iraqi anti-money-laundering office is too weak to benefit from it.

What is the current level of daily auctions at the bank?

Generally, it is $150 million to $200 million daily. Six months ago, it was an average $280 million to $300 million per day. In the last month, the exchange rate increased a lot—and it was not only because of the reduction of the amount of currency sold and the currency in the auction. The increase of
the exchange rate was due to the sanctions and penalties imposed by the CBI on the private banks and the intense banking supervision. So if they are not going to get the currency from the bank, they are going to the parallel market to get it for the money laundering and other illegal activities. On April 15, we started to go toward the implementation of letters of credit—encouraged them to do that. I expect that in May and June the exchange rate will be more stabilized. And we expect that we are going to maintain the lower exchange rate to a great extent. We are trying to push the exchange rate to reach 1,189 dinar per dollar because we are asking the banks to sell the dollar for this price.

What is it now?
It was an average of 1,270 dinar.

Let’s move on to the state of corruption in Iraq and specifically the corruption-fighting entities. Can you give an overview of the current status of the Board of Supreme Audit (BSA), the inspectors general, and the Commission of Integrity?

The existence of corruption is a fact, but exaggerating it makes anyone think that any official or public procedure is a corrupted thing or corrupted action. The Commission of Integrity started to follow up on the cases referred to it more seriously. The IG offices are weaker than they were before. Of course, that does not mean all the IG offices are weak; there are some good offices. The proposed plan for the IG system would eliminate most offices but keep them for the major ministries. As for the Board of Supreme Audit, the new law was not activated yet, but it grants the BSA the right to investigate the cases discovered by the BSA and to refer them directly to the judicial system through the proper channels. So the BSA will have duties beyond just auditing. This restores a power that the BSA used to have but was taken away by the CPA in 2003.

How is Iraq strengthening its anti-money-laundering capacity?

We are forming a higher committee to oversee the anti-money-laundering effort, which the CBI Governor would preside over and would include all oversight bodies involved, including the Ministry of Finance, the Higher Judicial Council, and other related bodies within the CBI. The new higher committee will supervise the anti-money-laundering strategy and coordinate the entire effort. It was also proposed to create an anti-money-laundering office to be linked to the BSA. But the opinion of the BSA was to link this office either to the CBI or to the intelligence unit in Iraq because it is related to parties abroad, not only inside Iraq. Some part of this laundered money is returning to us through terrorist acts in Iraq, and addressing this is mainly the duty of the security bodies or security units in Iraq.

Do you have any sense of the level of money laundering that is occurring today in Iraq?
Really, I cannot answer that question. We have a number of cases that are referred now, and we are waiting for the results of the investigations.

Q&A With the OSC-I Chief
On April 13, the Inspector General conducted a detailed interview with Lieutenant General Robert Caslen, Chief of the Office of Security Cooperation-Iraq.

What’s the status of the Foreign Military Sales (FMS) program in Iraq?

We have 479 separate FMS cases valued at $14.8 billion: 166 are pending cases valued at $2.3 billion, 152 are active Iraqi-funded cases valued at $11 billion, and 161 are closed cases valued at $1.5 billion. Of the closed cases, 85 were funded with $750 million from the Iraq Security Forces Fund (U.S. money) and 76 were Iraqi-funded cases valued at $750 million. We currently have 73 cases in development. OSC-I continues to push the total-package approach, which is equipment, training, maintenance, and sustainment for each case.

What about the Foreign Military Financing (FMF) program (involving U.S. funds)?

We have FMF funding at $850 million, with $566 million obligated and $284 million still available. FMF has been mostly spent on maintenance and contract, logistics, and support cases. This means that the major cases accomplished through the FMF program aim to build Iraq’s logistics backbone. We have a case in place right now for the ground forces; others for tanks, the M113, and artillery programs; and another one in place for aviation. There’s one for the Navy, too, and one for radars supporting Iraq’s rudimentary air-defense system.

Has it been difficult to build a culture of sustainment within the Iraqi system?
Yes, very. It’s a cultural issue that we are dealing with. Iraq has a desire to hire somebody to do the maintenance rather
than doing unit maintenance themselves. I’ll give you a vignette. When U.S. forces departed in December 2011, they effectively took with them the institutional base that logistically supported the Iraqi Armed Forces. U.S. forces had been the ones making sure everything was operating. About four months ago, I walked into the spare parts warehouse in Taji. That warehouse was beautiful. It had all the shelves intact, with all the spare parts on the shelves. It had all the computers for the automation for the inventory management in place. But when we walked up to the computer screens, they weren’t turned on. When we went to the parts on the shelf, we found that they had been sitting there untouched for a year. There was dust on all the parts and dust all over the shelves. They had not ordered a single spare part for the entire year of 2012. They weren’t using the automation database we built for them. I said, “How come you aren’t using the automation database?” They said, “Because the generators don’t work.” I asked, “Because they don’t have any fuel,” they answered.

The logistics system broke down after we left.

That’s right. When the U.S. forces left, no one was left to provide the fuel. The U.S. forces were the ones who made sure the generators operated. They were the ones who made sure that the systems were operating. They were the ones looking over the shoulders of Iraqis to make sure they knew what buttons on the computer to press to make sure the parts were ordered. When we left, it all crumbled, and the institutional base of the Iraqi Security Forces started crumbling too—because the U.S. forces had been holding it up.

What’s the lesson learned here?

Well the lesson learned is that, before we hand the security mission off to the indigenous forces, we have to ensure the institutional base is up and running. For example, the garrison commands have to be in place providing necessary operations and maintenance services to units assigned to that base. The training bases have to be able to receive, process, train, and provide logistics and maintenance for rotational units that come to the training centers to train at the collective level at higher echelons. And we need to ensure the military education is in place in order to professionalize the force and develop leaders across cohorts and throughout echelons.

Iraq didn’t have the resources to sustain what we left. Tikrit Airfield, for example, was run by the United States. We provided the gas for the generators, and the generators ran the control tower, so you had a functioning air-traffic control system. When we left, the generators didn’t work—same problem as down in Taji—because no one was cleaning or maintaining them and there was no budget for gasoline. As a result, they were putting in cheap, contaminated gas that quickly broke all the generators. Then some of the aircraft, the T-6 trainers, started getting holes in their wings because no one was sweeping the runways, which was something the United States forces had done.

Could you give an update on the F-16 FMS case?

The two F-16 cases are designed to bring 18 aircraft each, with the first delivery of two planes scheduled for September 2014. Two will arrive every month thereafter, completing delivery by the end of 2015. Iraq would like them all today. They have given me a letter requesting acceleration, but they understand that we are accelerating as fast as we can. We were in the process of building the airbase infrastructure at al-Assad, and then they switched to Balad. That slowed things down. The F-16 cases, from a production standpoint, are on track. Pilot training is on track. We had some hiccups on pilot training—a couple of guys washed out—but we’re on track now.

What are the other substantial FMS cases?

The tank case involved the purchase of 140 M1A1 Abrams at just under a billion. They want to buy another 175 at about $1.2 billion. The C130J case is halfway complete, with three delivered and three more to come, at a cost of less than a billion. The Integrated Air Defense System case is under development and could cost about $2.3 billion, but it will require congressional notification (meaning the Congress could veto it). Also under development is a $3 billion case to purchase 24 Apache helicopters. Iraq is getting six delivered in about nine months, under a lease arrangement, to use until the full Apache case is completed. That case also involves congressional notification. They want 250 Bradley Fighting Vehicles at a cost of about $800 million, and the case is under development. Iraq also wants UAVs (drones), but it is also dependent on congressional notification. On the naval front, we have delivered 11 patrol boats, will deliver 1 more this year, are working contracts for 3 more, and have already delivered 2 OSVs (large transport ships).

What is the status of the OSC-I office?

This year, our staff will drop to 125 from 165. We are transitioning Balad to the new model (meaning that it will be run by contractors working directly for the Government of Iraq). And all other OSC-I sites will be transitioned by the end of the fiscal year, except the site at the port of Umm Qasr, which will close at the end of the calendar year. Tikrit is transitioning right now. The same
What’s your judgment of the Iraqi military’s operational capabilities today?

Let me just take it in chunks. The Navy is capable of providing some degree of defense against threats to the offshore oil-delivery platforms (such as al-Basrah Oil Terminal). The Iraqi Army’s Aviation is a very capable organization, and they are getting better, principally through the purchase of the IA-407 light attack helicopter and the instruction and training that is a part of that case.

The Iraqi Air Force is improving daily. They remain on track for receipt of their first F-16s at Balad in September 2014. And this year they received three C130J aircraft and recently flew a night-time operational mission to Damascus, repatriating the 50-some slain Syrians who were killed in the Anbar ambush a couple of weeks ago. It was a tough mission under combat conditions, and they did well. They are flying limited RC-208 ISR imagery intelligence missions, yet their targeting and intelligence collection and analysis, other than human intelligence, remains rudimentary at best. The Iraq Air Defense is a good professional force with good leadership, yet other than the two U.S.-provided radars and the three air-traffic-control radars, their defense capability is limited to Saddam-era Russian cannon artillery.

The integrated-air-defense-system case with us is near offer, but currently held up by congressional notification procedures.

The Counter Terrorism Service is probably the most effective element in the Iraqi Security Forces for countering the one threat that is its most existential, and that is al-Qaeda terrorist affiliates. The dilemma is that the Counter Terrorism Service is not part of the Ministry of Defense (MOD); thus, OSC-I needs special authorities to provide it with training and equipment. We have received that authority for FY 2013 in the National Defense Authorization Act, and will need to request it each year. The governing U.S. laws are the Arms Export Control Act and the Foreign Assistance Act, but unfortunately they were designed for security cooperation during the Cold War, rather than threats that exist within today’s security environments. So OSC-I finds itself in a Catch-22 dilemma of trying to provide support for the most effective organization fighting the existential threats against the government out here in Iraq.

What about the Iraqi Army?

They have one division that deals with external threats. The other divisions are all employed against interior threats. There are not a lot of external threats right now, other than what’s spilling across from Syria. Iraq’s chief objective, thus, is to defeat internal threats, and most of their ground forces are inside cities trying to deal with them. Now, that creates a dilemma for a number of reasons. One is you have central government forces working in provincial government jurisdictions, where they are competing not only with the provincial government but also with another ministry, the Ministry of Interior (MOI), which has jurisdiction over Iraq’s police forces.

Iraq has a new border-security command. What are its border-security needs right now?

The Minister of Defense told me yesterday, “We are in a daily war with overflow and spillover from Syria. We are in a daily war along our Syrian border.”

So they need to improve capacity to strengthen their border-monitoring capabilities.

Absolutely. But, in order to do an FMF case on that, I need a waiver because I do not have the authority to do it by law. Border security falls under the Ministry of Interior, yet the Arms Export Control Act and Foreign Assistance Act provide the authority to work only with the Ministry of Defense. When we had the Iraq Security Forces Fund authority, this was not a problem. It allowed us to address any security issue, be it at MOD or MOI. Now, under the FMS and FMF, we don’t have that flexibility.

Any other security matters you want to highlight?

Iraq just went to Russia and, according to open sources, preliminarily signed a $4.2 billion arms purchase agreement for air and air defense (MIG-35s and SA-22s). Strategically, this is an important message for all of their partners—that they are going to remain autonomous and independent and not going to be tied to any one particular strategic partner.