



# OPERATION PACIFIC EAGLE-PHILIPPINES

JULY 1, 2018- SEPTEMBER 30, 2018

## **ABOUT THIS REPORT**

In January 2013, legislation was enacted creating the Lead Inspector General (Lead IG) framework for oversight of overseas contingency operations. This legislation, which amended the Inspector General Act, requires the Inspectors General of the Department of Defense (DoD), Department of State (DoS), and U.S. Agency for International Development (USAID) to, among other things, provide quarterly reports to Congress on each contingency operation and the activities of the Lead IG agencies. The DoD Inspector General (IG) is designated as the Lead IG for Operation Pacific Eagle-Philippines (OPE-P). The DoS IG is the Associate IG for OPE-P. The USAID IG also participates in oversight for the operation.

The Offices of Inspector General of the DoD, DoS, and USAID are referred to in this report as the Lead IG agencies. Other partner agencies also contribute to oversight of OPE-P. The Lead IG agencies collectively carry out their four statutory missions related to this overseas contingency operation:

- Develop a joint strategic plan to conduct comprehensive oversight over the contingency operation.
- Ensure independent and effective oversight of programs and operations of the Federal Government in support of the contingency operation through either joint or individual audits, inspections, and investigations.
- Report quarterly and biannually to the Congress and the public on the contingency operation and activities of the Lead IG agencies.

For details on the methodology for this report, see Appendix A.

## FOREWORD

We are pleased to submit the Lead Inspector General quarterly report to the U.S. Congress on Operation Pacific Eagle-Philippines. This report discharges our individual and collective agency oversight responsibilities pursuant to sections 2, 4, and 8L of the Inspector General Act of 1978.

The Secretary of Defense designated OPE-P as a contingency operation in 2017 to support the Philippine government and military in their efforts to isolate, degrade, and defeat Islamic State of Iraq and Syria (ISIS) affiliates and other terrorist organizations in the Philippines. This report provides information on the status of OPE-P, according to the three strategic oversight areas adopted by the Lead IG agencies:

- Security
- Humanitarian Assistance and Recovery
- Support to Mission

This report discusses the oversight work conducted by the Lead IG and our partner oversight agencies during the period from July 1 through September 30, 2018, as well as ongoing and planned oversight work.

Working in close collaboration, we remain committed to providing comprehensive oversight and timely reporting on these contingency operations.



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**Glenn A. Fine**  
Principal Deputy Inspector  
General Performing the Duties  
of the Inspector General  
U.S. Department of Defense



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**Steve A. Linick**  
Inspector General  
U.S. Department of State



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**Ann Calvaresi Barr**  
Inspector General  
U.S. Agency for International  
Development



#### **On the Cover**

(Top row) USMC assault amphibious vehicles depart the well deck of the amphibious dock landing ship USS Ashland during well deck operations. (U.S. Navy photo); Philippine Marines sweep a door frame for explosives during military operations in urban terrain training (U.S. Marine Corps photo). (Bottom row): Buildings destroyed by last year's fighting in Marawi. (DoD photo).

## MESSAGE FROM THE LEAD INSPECTOR GENERAL



**Glenn A. Fine**

I am pleased to present the 4th Lead Inspector General quarterly report on Operation Pacific Eagle-Philippines (OPE-P). This report summarizes the quarter's events for the operation and describes ongoing and planned Lead IG and partner agency oversight work relating to these activities.

This quarter, the Department of Defense (DoD) continued to provide assistance to Philippine security forces in their fight against ISIS affiliates and other violent extremist organizations operating within the country. ISIS-Philippines remained fragmented and degraded but still posed a security threat, carrying out several bombings against civilians and security personnel in the southern Philippines.

The DoD's OPE-P mission is focused on the defeat of ISIS affiliates through enhancing the counterterrorism capabilities of the Philippine forces.

However, this is just one of several factors necessary to eliminate violent extremism in the Philippines. Terrorists have exploited mistrust of the national government and a lack of economic opportunities in the Muslim-populated regions of the Philippines to recruit new followers. The DoD stated to the DoD OIG that defeating violent extremism will require educational, economic, and political reforms in the Philippines, which are beyond the scope of OPE-P.

The Department of State and U.S. Agency for International Development both support efforts to counter violent extremism in the southern Philippines by attempting to combat the root causes of radicalization among vulnerable populations, such as those displaced by violence. Humanitarian assistance efforts this quarter primarily focused on providing these populations with basic necessities, such as food, shelter, clean water, and opportunities for employment.

The Lead IG agencies and our oversight partners conduct audits, evaluations, and investigations related to this contingency operation, which are described in this report. In addition, this quarter we issued the first annual Joint Strategic Oversight Plan for OPE-P, which outlines planned oversight activities for this operation in FY 2019.

My Lead IG colleagues and I remain committed to fulfilling our responsibility to provide oversight of this overseas contingency operation through oversight projects, quarterly reports, and coordinated oversight planning.

A handwritten signature in black ink that reads "Glenn A. Fine".

**Glenn A. Fine**

Principal Deputy Inspector General Performing the Duties of Inspector General  
U.S. Department of Defense





Philippine Marines secure a beach while conducting an amphibious training exercise. (U.S. Marine Corps photo)

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## EXECUTIVE SUMMARY

This quarter, ISIS-Philippines (ISIS-P) remained fragmented and degraded but still posed a security threat, carrying out several bombings against civilians. The fracture was caused by the death of its leader, Isnilon Hapilon, in the 2017 siege of Marawi. The Department of Defense (DoD) reported to the DoD Office of Inspector General (OIG) that ISIS-P lacked a formal command and control structure and was unable to carry out large-scale attacks.<sup>1</sup>

While the group has not controlled any territory since being expelled from Marawi in October 2017, various factions of ISIS-P maintained a presence in provinces where the local populations harbor grievances against the government and sympathy for jihadist violence.<sup>2</sup>

U.S. Indo-Pacific Command (USINDOPACOM) estimated the total force strength of ISIS-P this quarter at approximately 500 fighters “with unknown loyalty to the ISIS brand” and did not have reliable information on ISIS-P recruitment efforts.<sup>3</sup> DoD officials described the ISIS-P attacks this quarter as “opportunistic” and questioned whether these terrorist fighters were genuinely loyal to the ISIS ideology or simply using the group’s label for notoriety and funding.<sup>4</sup>

Under Operation Pacific Eagle-Philippines (OPE-P), the DoD seeks to help the Armed Forces of the Philippines (AFP) defeat ISIS-P by building the counterterrorism capacity of the Philippine forces. However, the DoD stated to the DoD OIG that the lasting defeat of these violent extremist groups will require economic, educational, and political improvements outside the scope of OPE-P to address the root causes of radicalization in the southern Philippines.<sup>5</sup>

Philipine Secretary  
of National Defense  
**Delfin Lorenzana**  
meets with U.S.  
Secretary of Defense  
**James N. Mattis** at  
the Pentagon. (DoD  
photo)

This quarter, U.S. and Philippine military leaders met to coordinate the framework for defense and security cooperation for the coming year.<sup>6</sup> While not all of the 281 joint military activities agreed to at this meeting will support OPE-P, they will cover a broad range of military competencies, many of which can contribute to the fight against ISIS-P.<sup>7</sup>

With regard to governance, legislation enacted by the Philippine government this quarter offers enhanced autonomy to the Muslim-populated regions of the island of Mindanao and the Sulu archipelago. The law provides for a popular referendum to devolve a greater share of governing responsibility from the central government to local leaders. This legislation represents a compromise with former Islamist militants who have agreed to peaceful negotiations. However, USINDOPACOM officials told the DoD OIG that they were unsure of the practical and long-term impact of this legislation on reconciliation between the government and the five million Muslims in the country's impoverished south.<sup>8</sup>

As of the end of this quarter, more than 320,000 people had returned to their homes in Marawi and the surrounding areas, but nearly 70,000 residents remained displaced since the start of the conflict in May 2017.<sup>9</sup> The priority needs for internally displaced persons (IDP) continued to be food, livelihood, shelter, psychosocial and reintegration support, and access to water and sanitation.<sup>10</sup> Access to schools was limited, with 20 of the 69 public schools in Marawi destroyed in the fighting. More than 100,000 school-aged children had not returned to school or were at risk of dropping out as of the end of this quarter. School enrollment was especially poor among IDPs, with only 4,271 of the 18,000 displaced school-aged children enrolled.<sup>11</sup>

A Philippine Air Force OV-10A/C Bronco is parked on the flight line at Clark Air Base, Philippines. (U.S. Air Force photo)



The near total destruction of infrastructure in Marawi's commercial center and the slow pace of rebuilding prevented many residents from returning home and many more from resuming the employment they held prior to the conflict. According to the Department of State (DoS), reconstruction efforts were stalled by political interference, a lack of funding, and poor government coordination. The continuation of martial law and a perception that local residents were not included in the reconstruction plans were additional sources of tension.<sup>12</sup>

The U.S. Agency for International Development (USAID) and the DoS undertook efforts this quarter to counter violent extremism among vulnerable populations in the Philippines. A USAID-funded study on the predictors of radicalization in and around Marawi found that marginalization, discrimination, lack of economic opportunity, and a culture of violence all contributed to support for extremism. USAID will use this study to focus future efforts in areas that will mitigate these root causes of violence.<sup>13</sup> The DoS also announced a project to build engagement between the Philippine National Police and local university faculty to counter violent extremist recruitment narratives through law enforcement and academic collaboration.<sup>14</sup>

With regard to the amount of funds used to support OPE-P, USINDOPACOM reported that it had obligated \$100.2 million for OPE-P in FY 2018.<sup>15</sup> Aerial intelligence, surveillance, and reconnaissance support to the AFP consumed the largest portion of OPE-P funds in FY 2018, including \$34.2 million for contracted services and \$13.2 million in U.S. Army support.<sup>16</sup> Of the costs for OPE-P reported to the DoD OIG this quarter, it was not evident that any were directly related to building the capacity of the AFP, which is a key line of effort under the operation.<sup>17</sup>

According to the DoD, most of the security assets announced or delivered to the Philippine government this quarter were the product of Foreign Military Sales and Financing cases not directly related to OPE-P but which may be used to support Philippine counterterrorism operations.<sup>18</sup> This included a surveillance and reconnaissance system to upgrade existing Philippine aircraft, which was delivered this quarter, and an agreement to transfer four light attack and observation aircraft in the coming months.<sup>19</sup> U.S. Embassy Manila also announced plans to contribute \$26.5 million over the next year to provide counterterrorism support for Philippine law enforcement agencies.<sup>20</sup>

This quarter, the Lead IG agencies and our oversight partners issued the first annual joint strategic plan for OPE-P oversight. *The FY 2019 Joint Strategic Oversight Plan for Operation Pacific Eagle-Philippines* describes the oversight activities planned by the DoD, DoS, and USAID OIGs and other federal agencies. The plan is organized into three strategic oversight areas: Security, Humanitarian Assistance and Recovery, and Support to Mission. The strategic plan was included in the *FY 2019 Comprehensive Oversight Plan for Overseas Contingency Operations* and will be updated annually.

As of September 30, 2018, three Lead IG agency oversight projects related to OPE-P were ongoing and two projects were planned. These projects will address oversight of bilateral agreements with the Philippines, USINDOPACOM aviation readiness, and the DoD's efforts to train, advise, and assist the AFP.



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# THE OPE-P MISSION

## U.S. Support for the AFP under OPE-P Resembles Support Before the Operation

**Philippine Marines sweep a door frame for explosives during military operations in urban terrain training. (U.S. Marine Corps photo)**

The Secretary of Defense designated Operation Pacific Eagle-Philippines (OPE-P) as an overseas contingency operation on September 1, 2017. The stated purpose of OPE-P is to support the Philippine government and military in their efforts to isolate, degrade, and defeat ISIS affiliates and other terrorist organizations in the Philippines. The DoD leads this contingency operation, while coordinating efforts with other U.S. Government agencies and international partners.<sup>21</sup>



DoD officials stated to the DoD OIG that the Secretary of Defense designated OPE-P as a contingency operation to address the severity of the threat facing the Philippines after local terrorist organizations associated with ISIS-P seized the city of Marawi, a provincial capital with a population of 200,000 on the island of Mindanao, and held it from May to October 2017. According to the DoD, OPE-P seeks to build upon previous counterterrorism efforts to help the Philippine government respond to the threat posed by ISIS-P and other transnational terrorist organizations and to prepare the AFP to respond to possible future terrorist attacks.<sup>22</sup>

DoD officials also stated that the designation of OPE-P as a contingency operation has neither resulted in an increased U.S. military presence nor significantly altered the way in which U.S. forces already in country operate.<sup>23</sup> In response to DoD OIG questions concerning the reason for the contingency operation designation, DoD officials stated that security cooperation with the Philippines is “a key component in the U.S. strategy to secure a free and open Indo-Pacific.” The officials added that by partnering with the AFP to defeat and degrade violent extremist groups, the United States can enable the Philippine government to “dedicate more resources towards other mutual defense requirements including external territorial defense, maritime security, and being an active partner in regional security issues.”<sup>24</sup> However, the DoD has not provided the DoD OIG a clear explanation of how activities conducted under OPE-P differ from the counterterrorism support that USINDOPACOM provided to the Philippine government before the designation of OPE-P and will continue to provide after the operation terminates.<sup>25</sup>

According to DoD officials, as of September 28, 2018, OPE-P was conducted by approximately 250 U.S. military personnel, the same number that provided counterterrorism assistance in the southern Philippines prior to the designation of the operation. In addition, the DoD reported to the DoD OIG that 34 U.S. and 318 Filipino contractors supported the OPE-P mission this quarter.<sup>26</sup> The U.S. Government contractors included 17 individuals operating unmanned aerial systems, as well as engineers, a specialist in countering improvised explosive devices (IED), a security manager, and others.<sup>27</sup> According to DoD officials, OPE-P does not involve any unilateral U.S. counterterrorism operations but rather seeks to enhance the AFP’s capacity to isolate, degrade, and defeat ISIS elements and other terrorist organizations operating within their country.<sup>28</sup>

In previous quarters, USINDOPACOM, which is charged with primary responsibility for OPE-P, reported that U.S. military advisors were conducting large and small-scale training exercises with the AFP under OPE-P to enhance Philippine capabilities and build on the strength of the bilateral relationship, as the U.S. Government had done before the designation of the overseas contingency operation. The DoD also deploys special operations forces on a rotational basis to provide subject matter expert advice and assistance to their AFP partners. According to USINDOPACOM, these advisory and assistance efforts include sharing information, enhancing surveillance capabilities, and providing counterterrorism training and guidance. The DoD reported that the U.S. military provides this assistance exclusively at the request of their Philippine partners, who routinely conduct operations independently.<sup>29</sup>

**According to  
DoD officials, as  
of September  
28, 2018,  
OPE-P was  
conducted by  
approximately  
250 U.S. military  
personnel, the  
same number  
that provided  
counter-  
terrorism  
assistance in  
the southern  
Philippines  
prior to the  
designation of  
the operation.**

## Defeat of ISIS-P Will Require Development and Diplomacy in Addition to U.S. Military Efforts

In March 2018, USINDOPACOM identified its three primary lines of effort under OPE-P:

- Isolating, degrading, and defeating ISIS-P and priority violent extremist organizations.
- Countering radicalization and violent extremism.
- Building partner capacity to deny terrorist safe havens.<sup>30</sup>

In response to the DoD OIG's inquiry about progress made with respect to these three lines of effort during this quarter, USINDOPACOM responded that it had reduced operational assessments of OPE-P from quarterly to semi-annually, and thus had no progress to report this quarter, with the next assessment due to be released in January 2019.<sup>31</sup>

USINDOPACOM tracks the degradation of ISIS-P through four primary metrics:

- The lack of an ISIS core designated ISIS-P “emir.”
- The amount of funding ISIS core provides ISIS-P.
- The quality of ISIS core media coverage of ISIS-P activities.
- The cohesion or fragmentation of the ISIS-P’s individual elements.<sup>32</sup>

The DoD also noted that OPE-P is just one component of the broader, enduring bilateral security relationship between the United States and the Philippines. As such, OPE-P is intended to be a short-term, targeted effort to defeat ISIS-P and other violent extremists without becoming an open-ended commitment.<sup>33</sup> However, USINDOPACOM officials stated that “terrorist and insurgent groups will remain a threat in the Philippines with or without the ISIS brand.”<sup>34</sup> DoD officials previously stated that long-term support and capacity building for the AFP has been and will continue to be an enduring mission for USINDOPACOM outside of OPE-P.<sup>35</sup>

According to USINDOPACOM, several factors would need to change for the AFP to contain this threat without U.S. assistance.<sup>36</sup> Specifically, these officials cited the need to improve: economic and educational opportunities in the southern Philippines; relations between the southern Philippines and the central government; and AFP combat capabilities. In USINDOPACOM’s assessment, unless these factors are addressed, extremist groups will maintain a ready recruitment pool and pose a threat to Philippine security, with or without the ISIS brand.<sup>37</sup> Two of these three factors are outside the scope of OPE-P. The DoD stated that the desired end state cannot be brought about through counterterrorism operations alone and will require “a persistent and continuing whole of government approach.”<sup>38</sup>

**Officials cited the need to improve: economic and educational opportunities in the southern Philippines; relations between the southern Philippines and the central government; and AFP combat capabilities.**

# ■ SECURITY

ISIS-P remained fragmented and degraded but still posed a security threat, carrying out several bombings against civilians. DoD officials reported gaps in intelligence regarding ISIS-P recruitment efforts and the group's ties to core ISIS, which the officials attributed to the deaths of several key terrorist leaders and the diffuse nature of the group. The Bangsamoro Organic Law, enacted by the Philippine government this quarter, offered hope for future reconciliation between Muslim populations in the country's south and the central government in Manila.

## Joint Training Exercises and Intelligence Sharing to Increase in 2019

This quarter, U.S. and Philippine military leaders agreed to increase joint training exercises and information sharing in 2019. On September 27, Admiral Philip Davidson, Commander of USINDOPACOM, and General Carlito Galvez, Jr., Chief of Staff of the AFP, led the 2018 Mutual Defense Board and Security Engagement Board at Camp Aguinaldo, near Manila. This annual meeting between U.S. and Philippine 4-star military leaders coordinates the framework for defense and security cooperation between the U.S. and Philippine armed forces for the coming year. These planned activities are then executed through the Joint U.S. Military Assistance Group, the DoD component based at U.S. Embassy Manila.<sup>39</sup>

**Sailors standby on the amphibious dock landing ship USS Ashland as the ship pulls into Subic Bay, Philippines. (U.S. Navy photo)**



This year's Mutual Defense Board and Security Engagement Board agreed to increase joint defense and security activities between the two countries' forces from 261 in 2018 to 281 in 2019. According to the DoS, while not all activities will be directly related to OPE-P, they will cover a broad range of military competencies, including counterterrorism, maritime security, and support for humanitarian aid, many of which can contribute to the combined fight against ISIS-P.<sup>40</sup>

This level of engagement appears to represent an improvement in the relationship between the United States and Philippine President Rodrigo Duterte, who vowed upon taking office in 2016 to end many of the AFP's combat drills with the U.S. military and to remove U.S. troops from the southern Philippines.<sup>41</sup> While the political relationship between the countries has been contentious, bilateral military cooperation has generally continued unabated.<sup>42</sup>

Additionally, the DoS reported that representatives of the U.S. and Philippine governments signed a terrorist information sharing arrangement on September 20, 2018, following negotiations over the preceding year.<sup>43</sup> Under this arrangement, the two governments can exchange information regarding known and suspected terrorists, pursuant to Homeland Security Presidential Directive-6, which governs the integration and use of terrorist screening information.<sup>44</sup>

## The DoS Finalizes Its FY 2019 Integrated Country Strategy for the Philippines

On August 2, 2018, the DoS finalized its annual Integrated Country Strategy for the Philippines. This strategy defines U.S. Embassy Manila's priorities, goals, and objectives for the Philippines for FY 2019, which include fostering peace and stability, economic growth, higher levels of engagement from the Philippines in the international arena, enhanced transparency and democratic processes, and commitment to rule of law and human rights. With respect to countering violent extremist organizations such as ISIS-P, U.S. Embassy Manila has established two objectives: increase the capability of Philippine security forces to prevent and respond to terrorist threats and address the root causes of conflict and extremism in vulnerable communities.<sup>45</sup>

The Integrated Country Strategy outlines plans for increasing Philippine security capacity by expanding counterterrorism training, improving bilateral information sharing, supporting multilateral patrols in the Sulu region with regional partners, facilitating Foreign Military Sales, enhancing joint tracking of terrorist finances, and providing timely vetting to ensure that Philippine forces tainted by gross violations of human rights do not receive U.S. assistance (see page 23).<sup>46</sup> To address the root causes of extremism, the Integrated Country Strategy calls for combatting local corruption through support for local governments, providing assistance to IDPs and host communities, supporting peace education in schools, promoting social media campaigns for at-risk youth, and training journalists and students from Mindanao to counter ISIS-P propaganda and other extremist messaging.<sup>47</sup>

## ISIS-P Continue to Pose a Threat Despite Organizational Setbacks

### ISIS-P LACK COHESION AS A TERRORIST GROUP

The group collectively known as ISIS-P was formed in 2014 when several existing Philippine terrorist groups, including the Abu Sayyaf Group (ASG), Bangsamoro Islamic Freedom Fighters (BIFF), Maute Group, and Ansar Khalifa Philippines, united around their self-proclaimed “emir,” ASG leader Isnilon Hapilon, and pledged loyalty to ISIS. ISIS core publicly recognized Hapilon as “emir” in 2016. While ISIS-P was able to inflict substantial damage and gain international recognition during its 5-month occupation of Marawi in 2017, the conflict in that city ultimately resulted in the death of Hapilon, his leadership cadre, and most of the approximately 1,000 fighters who had pledged allegiance to ISIS.<sup>48</sup>

USINDOPACOM provided information to the DoD OIG this quarter which raised questions about the degree to which ISIS-P continued to operate as a unit. USINDOPACOM estimated the total force strength of ISIS-P this quarter at approximately 500 fighters “with unknown loyalty to the ISIS brand.”<sup>49</sup>

This was an increase from the estimate of 200 fighters reported last quarter.<sup>50</sup> However, USINDOPACOM officials informed the DoD OIG that they lacked confidence in these estimates, which may be inflated. The officials noted that many Filipino jihadists claiming affiliation with ISIS may simply be using the internationally recognized terrorist group’s label for notoriety and funding, suggesting that many of these fighters and their supporters had an unknown level of commitment to the ISIS ideology.<sup>51</sup>

USINDOPACOM officials also noted that extremist groups have been active in the Philippines for at least 40 years, carrying out IED attacks, beheadings, kidnappings for ransom, and other acts of violence. The officials stated that the jihadist threat in the southern Philippines this quarter was comparable to the threat that existed before these groups pledged loyalty to ISIS, and was limited to small-scale attacks.<sup>52</sup>

This quarter, USINDOPACOM officials also reported to the DoD OIG that ISIS-P did not control any territory but maintained a presence in Lanao Del Sur, Cotabato, and Sultan Kudarat provinces in central Mindanao and in the Sulu archipelago.<sup>53</sup> They noted that ISIS-P was strongest in the Sulu archipelago, where the ASG has historically had a significant presence supported by familial and clan structures and a local population with longstanding grievances against the central government in Manila.<sup>54</sup> Of the approximately 500 ISIS-P fighters estimated to be active this quarter, USINDOPACOM stated that about 200 ASG members were located in the Sulu archipelago, 100 Maute members in Lanao del Sur, and 200 BIFF members in an area between Cotabato and Sultan Kudarat.<sup>55</sup>



### ISIS-P RECRUITMENT AND INTERNATIONAL TIES LIKELY DIMINISHED, BUT REPORTING GAPS LIMIT AVAILABLE INFORMATION

This quarter, USINDOPACOM officials reported to the DoD OIG that they have unreliable information on the number of ISIS-P recruits, stating that “ISIS-P has probably been able to take advantage of the severe economic conditions” to recruit new members.<sup>56</sup> The officials

added that since the Marawi fighting ended, ISIS-P has spread out across a wider geographic area, limiting the DoD's collection of information.<sup>57</sup>

USINDOPACOM reported that there were no changes in ISIS-P's capabilities this quarter.<sup>58</sup> USINDOPACOM estimated that ISIS-P had not regained the capability to carry out large-scale, complex attacks and was still heavily degraded by their losses in the siege of Marawi.<sup>59</sup> According to USINDOPACOM officials, ISIS-P continued to lack a formal command and control structure this quarter with fragmented groups carrying out uncoordinated violent acts in their own areas of influence.<sup>60</sup> The officials described these attacks as "opportunistic" with no strong evidence of ISIS ideology.<sup>61</sup>

Since the death of former ISIS-P "emir" Hapilon in October 2017, ISIS-P's leadership has been fractured, with several factional commanders vying for control.<sup>62</sup> USINDOPACOM reported that Hatib Sawadjaan, an ASG leader, may have been selected as an overall leader of ISIS-P. If so, this had not been publicly confirmed by core ISIS leadership, which has not recognized a Philippine leader since Hapilon's death.<sup>63</sup>

While USINDOPACOM officials were able to confirm that core ISIS had not recognized a Philippine "emir" as of this quarter, the officials had little additional information about the relationship between ISIS-P and international affiliates.<sup>64</sup> The officials stated that they had no reporting to suggest that ISIS-P had reestablished the same level of support from ISIS core that it enjoyed prior to and during the Marawi conflict, including financial and media support. However, information on this relationship lacked fidelity. Most of the reliable information on the ISIS-P network is attributed to a small group of individuals who are either dead or detained.<sup>65</sup> This lack of clarity presents challenges for USINDOPACOM to assess its stated metrics for tracking the degradation of ISIS-P, several of which relate to the strength of the group's relationship with the international leadership, including the amount of funding and quality of media coverage ISIS-P received from core ISIS.<sup>66</sup>

## **FOREIGN FIGHTER CARRIES OUT FIRST ISIS-P SUICIDE ATTACK**

On July 31, a terrorist affiliated with ISIS-P carried out a vehicle borne suicide IED attack at a military checkpoint in Basilan province. This incident was significant for three reasons. First, while the southern Philippines has a long history of violent extremism, suicide attacks were previously exceedingly rare. This was the first such attack since the formation of ISIS-P. Second, the attacker was believed to be a Moroccan national named Abu Kathir al-Maghribi. While foreign fighters were a significant presence in the siege of Marawi, al Maghribi was one of the few non-regional foreign terrorists identified in the Philippines since the end of that battle. Third, core ISIS elements claimed responsibility for the attack and praised the attacker on social media almost immediately after the incident.<sup>67</sup>

According to AFP officials, al Maghribi detonated his explosives when confronted by security personnel at a security checkpoint. While his intended destination remains unknown, Philippine Secretary of National Defense Delfin Lorenzana stated that the bomber's target may have been a graduation celebration for a government nutrition program, where several thousand children were gathered that day. Secretary Lorenzana also noted that the timing of the attack suggested it might have been an effort to disrupt recent momentum in the peace process under the newly enacted Bangsamoro Organic Law (see page 13).<sup>68</sup>

**On July 31, a terrorist affiliated with ISIS-P carried out a vehicle borne suicide IED attack at a military checkpoint in Basilan province.**

# TERRORIST ACTIVITY AND SECURITY OPERATIONS IN THE PHILIPPINES



★ Terrorist Activity  
★ Counterterrorism Activity

**1 | JUL 7** BIFF elements of ISIS-P seized the town of Datu Paglas and held it for 12 hours until the AFP could drive them out, killing 4 and wounding 2 militants. One Philippine soldier and a local militia official were wounded. Hundreds of residents were prevented from returning home immediately due to IEDs left behind by ISIS-P.



**2 | JUL 31** A car bomb at a military checkpoint killed at least 10 people and injured 9, most of whom were security personnel. Philippine jihadists have not historically conducted suicide bombings, and this was the first such attack since the groups declared for ISIS. Shortly after, ISIS social media published a photograph of a Moroccan national, Abu Kathir al Maghribi, whom they claimed was responsible.

**3 | AUG 15** AFP joint police and military operations killed ASG subgroup leader, Suraka Ingog, and resulted in the surrender of subgroup leader Ali Hassan and 4 other members, along with the seizure of some small arms.

**4 | AUG 28** An IED hidden under a motorcycle killed 2 people, including a child, and wounded 37 at a street festival. No terrorist group claimed responsibility immediately, but an AFP spokesperson told reporters that a BIFF faction of ISIS-P was suspected.

**5 | SEP 2** A bomb blast killed 1 person and injured 15 in an Internet cafe. Similar to the attack days earlier, the AFP suspected BIFF elements of ISIS-P, but they did not claim responsibility.

**6 | SEP 7** An AFP raid targeting Mubarak Manalao, a Maute Group leader, resulted in the deaths of 3 ISIS-P fighters, including Manalao, 1 AFP soldier, and 2 civilians caught in the crossfire. Small arms, an IED, and other items such as cell phones were recovered by the AFP.

Sources: See Endnotes, page 37.

USINDOPACOM officials stated that the Basilan attack may have been an isolated event, and more information is required to determine whether ISIS-P is shifting tactics to incorporate suicide attacks into future operations.<sup>69</sup> In response to DoD OIG questions about the current estimate of foreign terrorist fighters in the Philippines and whether their numbers were increasing or decreasing, USINDOPACOM officials stated that both were unclear at this time.<sup>70</sup> However, they added that any foreign terrorist fighters in the Philippines were more likely to have originated from Indonesia or Malaysia than from farther abroad. Immigrants from the Middle East and North Africa, such as al Maghribi, remained in the minority.<sup>71</sup>

## **DEPARTMENT OF THE TREASURY SANCTIONS ISIS-P RECRUITER**

This quarter, the U.S. Department of the Treasury imposed financial sanctions on Mohammad Reza Lahaman Kiram, an alleged ISIS-P recruiter, who appeared in an official ISIS beheading video. According to a Treasury spokesperson, Kiram was filmed executing captives held by ISIS as part of a propaganda campaign and engaged in other acts to attract potential radicals to join militant terrorist groups in Southeast Asia.<sup>72</sup>

Kiram was a member of a Philippines-based militant group that pledged alliance to ISIS and was reportedly seen in 2014 training ISIS-P recruits in the Philippines before traveling to Syria in 2015. Philippine police suspect he was responsible for a 2010 bus bombing in Zamboanga, Philippines. According to a Treasury press release, Kiram was believed to be fighting for ISIS in Syria as of January 2017.<sup>73</sup>

As a Specially Designated Global Terrorist, pursuant to Executive Order 13224, Kiram's property or interests subject to U.S. jurisdiction are frozen, and with limited exceptions, U.S. nationals are prohibited from engaging in transactions with him. Additionally, the United Nations (UN) imposed similar sanctions on Kiram, which obligate all UN member states to freeze his assets, deny him access to the international financial system, and prohibit him from travelling.<sup>74</sup>

**This quarter, the U.S. Department of the Treasury imposed financial sanctions on Mohammad Reza Lahaman Kiram, an alleged ISIS-P recruiter, who appeared in an official ISIS beheading video.**

## **New Law Promises Greater Autonomy in the Southern Philippines**

On July 26, 2018, President Duterte gave final approval to legislation intended to provide a pathway to enhanced autonomy for the Muslim-populated areas of the southern Philippines.<sup>75</sup> “The Organic Law for the Bangsamoro Autonomous Region in Muslim Mindanao” or “Bangsamoro Organic Law,” as the measure is known, was the product of years of negotiation. This legislation is the culmination of a peace agreement made in 2014 between the Philippine government and the Moro Islamic Liberation Front (MILF), the Philippines’ largest Islamic insurgent group. The Philippine government promised the MILF legislation to establish a new autonomous entity in the Muslim-populated areas, to be called “Bangsamoro,” in exchange for renouncing violence and engaging in a peaceful political process. The peace agreement did not include precise details on how this new entity would exercise self-rule, only a rough framework for negotiations on Bangsamoro legislation.<sup>76</sup>

The Bangsamoro area includes parts of Mindanao and a chain of small islands in the Sulu archipelago (see map on page 34). An estimated five million Muslims live in the region, which has the lowest levels of employment, income, education, and economic development

in the Philippines. The new law requires that a referendum be held in these areas to approve or reject the creation of the new Bangsamoro Autonomous Region. A positive vote in the referendum, scheduled for January 2019, would lead to the creation of a panel to establish a parliamentary system loosely patterned on Malaysia's federal government, possibly by 2022. Media sources indicated that this panel would likely be led by MILF members.<sup>77</sup>

According to media reports, MILF leaders welcomed enactment of the law and have played a constructive role in facilitating the forthcoming referendum, although not all of the group's demands were met. While many of the central government's powers over the new autonomous region would be devolved to local leaders, the national government in Manila would retain control of military, police, and other security responsibilities. A senior MILF negotiator told reporters that while the group was not entirely satisfied with the level of autonomy provided, it plans to decommission 30 percent of its 40,000 weapons if the referendum is successful.<sup>78</sup>

The Philippine government's previous slow pace in enacting the legislation agreed upon in the peace process caused some members of the MILF to give up on the peace process and take up arms against the government. Since 2014, some have joined ISIS-P, including Abu Turaife, a contender for ISIS-P "emir" and a leader of the BIFF, which was formed as a MILF splinter group. The MILF reportedly has as many as 10,000 members, many of whom are trained fighters with access to stockpiles of weapons. MILF defectors represent a potential source of strength for ISIS-P.<sup>79</sup> In response to the law's enactment, MILF Chairman Ebrahim Murad told reporters, "All these splinter groups are a result of the frustration with the peace process," and he expressed confidence that the law would help bring radical groups back into the political fold and eliminate prospects of future incidents like Marawi.<sup>80</sup>

DoD officials predicted that the enactment of this legislation and creation of a new autonomous region would have "minimal direct impact on security, stability, and terrorist recruitment." While they lauded enactment as a commendable step toward addressing problems in the region, the DoD officials stated that the legislation did not address immediate, core problems in the region, such as the poor socioeconomic status of many residents.<sup>81</sup> According to media reports, Philippine military officials have pointed to the enactment of the law as a potential cause of a short-term increase in violence by those seeking to disrupt the peace process.<sup>82</sup>

## **Previously Announced Indonesian and Malaysian Joint Patrols Do Not Begin**

Last quarter, the Lead IG reported that the Indonesian Defense Minister announced plans to deploy soldiers to the Philippines to conduct joint ground patrols with Philippine and Malaysian forces, expanding upon established trilateral air and maritime patrols in their adjoining areas of the Sulu Sea.<sup>83</sup>

While a news report in June regarding these trilateral patrols stated that they were scheduled to begin in August, USINDOPACOM officials reported that as of September 28, 2018, neither Indonesian nor Malaysian troops had conducted joint ground operations in the Philippines. The officials noted that any such trilateral patrols would be outside the scope of the bilateral advise and assist mission conducted by U.S. forces in the Philippines, and should any such

foreign troops conduct joint patrols in the future, the AFP would be responsible for deconflicting operations within their country.<sup>84</sup>

USINDOPACOM officials reported that they were not aware of any other countries conducting counterterrorism operations in the Philippines as of this quarter. They noted that Australia was conducting counterterrorism training with the AFP, and these activities were synchronized through the Joint U.S. Military Assistance Group and its Australian counterparts.<sup>85</sup>

## Marawi Holds its First Municipal Elections Since the 2017 Siege

The city of Marawi held municipal and youth council elections on September 22, 2018. According to the DoS, these elections were originally scheduled for 2017 but were postponed because of ISIS-P's siege of the city. Since inhabitants of the most severely affected portions of the city were still not permitted to return to their homes, voters were instructed to cast their ballots at the public school nearest to the precinct in which they were registered to vote. Some IDPs who sought refuge in neighboring provinces reportedly traveled for hours to vote, aided by nearby regional governments, civil society organizations, and the AFP. According to U.S. Embassy Manila, local officials made significant efforts to transport voters to the polls and provided a visible security presence, allowing thousands of residents to cast their ballots.<sup>86</sup> The country's ability to conduct free and fair elections in Marawi and other areas dealing with terrorist violence will be critical to the forthcoming referendum on the Bangsamoro Organic Law (see page 13).

According to the DoS, the Philippine government's Commission on Elections reported that approximately 30,000 out of 50,000 total registered voters, or roughly 60 percent, took part in the polls. This was a decrease from the 43,000 residents who voted in the 2016 national elections, which occurred before the siege and included presidential candidates. According to the DoS, the September 22 elections were the first time in the city's recent history that not a single person was killed in election-related violence. According to U.S. Embassy Manila, many observers attributed the lack of bloodshed to martial law and the heavy presence of government troops.<sup>87</sup>

The Marawi election served as a pilot for a new security provision in Philippine election law that allows Philippine National Police officers to stand in for the teachers who normally serve as poll workers when teachers are unable to serve due to security threats. In the lead-up to the elections, the Commission on Elections conducted special electoral training for a select group of police officers. After teachers were threatened in one neighborhood, unarmed police stepped in to work the polls without incident. According to U.S. Embassy Manila, civil society groups were tracking the implementation of the new provision to ensure that it is not misused in the future to potentially intimidate some voters.<sup>88</sup>

# HUMANITARIAN ASSISTANCE AND RECOVERY

The number of IDPs on Mindanao dropped significantly this quarter, but many still lacked basic necessities, such as food, shelter, clean water, and opportunities for employment.

Thousands of displaced children also lacked access to schools. The commercial center of Marawi remained devastated one year after the fighting, and efforts to rebuild saw little progress this quarter. U.S. and international aid workers continued to provide essential services, but an attack on USAID contractors this quarter left one dead and two wounded.

## **USAID and DoS Efforts Aim to Counter Violent Extremism**

USAID reported that extremist groups in Mindanao were actively recruiting members in local high schools, universities, and on social media. Marginalization, discrimination, and dissatisfaction with and mistrust of the government were reportedly the primary drivers of terrorist recruitment. A lack of local consultation and participation in the planning of Marawi reconstruction efforts (see page 18) and insufficient delivery of services to IDP host communities also contributed to the recruitment narrative of extremist groups. According to USAID, addressing the root causes of violent extremism in the region will require addressing deeply rooted grievances that have developed over many years.<sup>89</sup>

During the quarter, USAID's Enhancing Governance, Accountability, and Engagement project conducted a study to better understand predictors of support for violence and extremism among the communities in the areas surrounding Marawi. The preliminary findings of the project were used to focus activities on the most critical drivers of extremism: community marginalization and discrimination, employment opportunities and wages, and the culture of guns and revenge that support social conflict. USAID also reported launching a new program this quarter aimed at strengthening youth coping skills and improving their understanding of the impact of violence and violent extremist groups.<sup>90</sup>

Additionally, the DoS reported that the Global Engagement Center, the interagency counter-propaganda organization housed at the DoS, began a \$990,000, 18-month initiative to empower grassroots peace activists to counter violent extremism on Mindanao. According to the DoS, two grantees will deliver a program involving civil society training, messaging, interventions, and the redirection of individuals susceptible to extremist recruitment. The DoS also reported that the Global Engagement Center is preparing to launch a second 18-month initiative to engage university academics in Mindanao, stemming from an ongoing program run by the DoD and U.S. Embassy Manila. The DoS reported that this initiative will work to build engagement between Philippine National Police and local universities to undermine and counter the recruitment narratives of violent extremist organizations in the region while providing positive alternative narratives to the target audience.<sup>91</sup>

**USAID reported that extremist groups in Mindanao were actively recruiting members in local high schools, universities, and on social media.**

## USAID Programs Focus on Basic Human Needs

USAID has obligated approximately \$37 million to address the needs of displaced populations and reduce tensions in communities at high risk for violent extremism in the Marawi area in FY 2018. This includes \$10.5 million in ongoing humanitarian assistance,

including shelter, household relief items, and emergency food to IDPs mobilized immediately after the Marawi siege through USAID's Office of Foreign Disaster Assistance in the Philippines and Food for Peace program.<sup>92</sup>

Table 1.

### Status of Cumulative USAID Funds Obligated in FY 2018 for the Marawi Crisis (in millions/rounded)

Office	Obligated	Disbursed
USAID/Philippines	\$26.5	\$3.6
USAID Office of U.S. Foreign Disaster Assistance	\$6.5	\$0.4
USAID Office of Food for Peace	\$4.0	\$1.9
<b>TOTAL</b>	<b>\$37.0</b>	<b>\$5.9</b>

Source: USAID, 10/9/2018.

The remaining \$26.5 million obligated by USAID in this region in FY 2018 supported activities focused on youth empowerment, livelihood, health, water, sanitation, and peacebuilding activities for those affected by the siege and to respond to increasing tensions and radicalization. In addition, as part of its multi-year investment to assist the

communities around Marawi, this quarter USAID worked toward finalizing a new, 3-year program to aid IDPs, build community cohesion, facilitate local participation in recovery planning, address drivers of radicalization, and enhance economic opportunities.<sup>93</sup>

## Number of IDPs Drops Significantly, but Access to Water Remains Limited

While more than 320,000 people have returned to their homes in Marawi and surrounding areas, the UN Office for the Coordination of Humanitarian Affairs (OCHA) reported that nearly 70,000 IDPs remained in host communities, evacuation centers, and other transitional sites as of August 31, 2018.<sup>94</sup> This represents a considerable decrease from the 214,000 IDPs reported in the previous quarter. USAID humanitarian partners attributed this shift to several factors, including increased humanitarian assistance and the return of public services, including schools in limited areas. Additionally, the closure of evacuation centers in Lanao del Norte forced many households either to return home or move to different locations.<sup>95</sup>

The United Nations High Commissioner for Refugees (UNHCR) noted that as of August 22, 2018, the majority of IDPs, nearly 87 percent, were residing in host communities, and the remainder were located in evacuation centers.<sup>96</sup> Of the 23 centers in operation this quarter, 8 were located in Lanao del Norte and 15 in Lanao del Sur. According to the UNHCR, the Marawi City government was developing 2 new transitional shelters to house 1,000 IDP families currently residing in evacuation centers in Lanao del Norte. Unlike the temporary evacuation centers being closed this quarter, these shelters are designed to house families displaced for extended periods of time.<sup>97</sup> Because the majority of those IDPs who returned this quarter had been living in host communities, the number of residents living in shelters and evacuation center tent sites did not change substantially, even as the total number of IDPs decreased.<sup>98</sup>

Assistance to IDPs has been complicated by challenges in security and the continuous movement of IDPs, according to OCHA.<sup>99</sup> Overall, the priority needs for IDPs identified by USAID continued to be food, livelihood, shelter, psychosocial support, and especially access to water and sanitation.<sup>100</sup> Attempts by the Philippine government to drill water supply wells last quarter ago failed but were resumed this quarter with new hydrological surveys supported by a USAID project.<sup>101</sup> In response to water access needs, USAID implementing partners continued to provide water trucking services to several tent sites.<sup>102</sup>

## **IDPs and Returnees Face Food Insecurity, Lack of Opportunities, and Gaps in Schooling**

According to the UN World Food Programme (WFP), IDPs and returnees relied heavily on food assistance.<sup>103</sup> In August, the WFP provided food rations to nearly 42,000 IDPs and returnees in the area around Marawi.<sup>104</sup> USAID officials noted that the devastation of Marawi's commercial center in the fighting last year left many residents returning to the city without opportunities to resume the employment they held before the conflict.<sup>105</sup> USAID planned to support the livelihood recovery of more than 6,675 IDP and returnee households through conditional cash grants. As of September, USAID reported that it had provided 1,439 families with the prerequisite business and financial management training for receiving these grants.<sup>106</sup> While a total of 121 households received grants during the quarter, grant transfers were paused in mid-September before the local elections.<sup>107</sup>

OCHA reported that more than 100,000 school-aged children had not returned to school or were at risk of dropping out due to the impact of the conflict.<sup>108</sup> In public elementary and secondary schools Lanao del Sur and Lanao del Norte, only 21,000 children were enrolled.<sup>109</sup> Twenty of the 69 public schools in Marawi were destroyed and nearly 18,000 displaced school-aged children were dispersed across Lanao del Sur and Lanao del Norte.<sup>110</sup> Of the displaced children, only 4,271 were reportedly enrolled in school.<sup>111</sup>

## **One Dead, Two Wounded in Attack on Aid Workers**

On August 16, 2018, five unidentified assailants opened fire on a group of local sub-contractors working on a USAID-funded project in Marawi when they stopped at a restaurant. One worker was killed and two were wounded. USAID reported that the incident was being investigated by local law enforcement. The USAID-funded project supported by these sub-contractors involved installing solar lights in connection with the reconstruction of Marawi.<sup>112</sup>

## **Marawi Reconstruction Stalls**

According to an August 2018 DoS cable, more than 10 months after the AFP liberated Marawi, reconstruction efforts showed little progress. According to the DoS, political interference, a lack of funding, contracting irregularities, and mismanaged coordination among government agencies plagued Marawi construction efforts. The cost of reconstruction, estimated at \$1.6 billion, continued to climb and the Philippine government has yet to allocate funds to rebuild the most heavily damaged areas of the city. According to the DoS, the Philippine government had sought to outsource reconstruction of the city center, which endured the worst damage from the fighting, to Chinese state-owned enterprises. The DoS cable expressed

concern that local landowners and government entities were not included in the government's consultation with these firms. The Chinese companies reportedly had little or no track record in disaster relief and a history of fraud and corruption. According to the DoS, Marawi's mayor criticized awarding contracts to these previously blacklisted companies saying that it cast a "cloud of doubt" over the entire reconstruction process.<sup>113</sup>

According to media reports, the AFP recovered 3,000 unexploded bombs since the siege in 2017, but unexploded ordnance still presented a danger for returning residents and demolition crews this quarter. The city center remained largely off limits to its former residents, and many of the destroyed neighborhoods have not yet been cleared of debris. A senior AFP commander expressed concerns in media reports this quarter that "there's that danger, that if we delay the development of this area we create more enemies of the state." Marawi has been under martial law for more than a year since it was liberated, and the Philippine government was debating whether to extend it beyond the scheduled sunset of December 31, 2018.<sup>114</sup>

According to U.S. Embassy Manila, Secretary Lorenzana told a visiting DoD official during an August 16 meeting that he hoped all the unexploded ordnance in Marawi could be removed in the succeeding 2 weeks. However, media reports indicated that clearing all potential explosives would likely take significantly longer, and an official Philippine government assessment stated that once this was completed, an additional 6 to 12 months would be needed to clear debris and demolish war-torn structures.<sup>115</sup>

According to the DoS, after protests earlier in the year relating to the reconstruction and to martial law, on July 25, local residents launched a community-based group called Marawi Reconstruction Conflict Watch to ensure that the rebuilding process includes input from the families affected by the conflict, internally displaced business, faith-based organizations, and community activists.<sup>116</sup>

## **Insufficient Oversight Puts U.S. Foreign Programs at Risk**

In the Philippines, USAID provides funding to public international organizations (PIOs), such as WFP and OCHA, to respond to the crisis on Mindanao. USAID relies on PIOs to advance its humanitarian assistance and development goals throughout the world. Unique provisions of Federal law and international arrangements enable PIOs to receive Federal funds with less oversight or fewer restrictions than nongovernmental organizations and contractors. However, a recent USAID OIG audit found that USAID's approach to overseeing PIOs has not included comprehensively identifying, assessing, and managing risks related to working with PIOs, such as risks posed by terrorist groups that seek to benefit from USAID assistance.

Additionally, the USAID OIG found that USAID's PIO policy and accompanying processes and guidance do not align with Federal internal control standards. These policy weaknesses exacerbate the challenges of overseeing PIOs working in non-permissive, long-term crisis environments where PIO awards can continue for multiple years. In such cases, USAID exposes foreign assistance funds to increased risk of fraud, waste, and abuse because the awards were not designed with the internal control standards appropriate for these contexts. This quarter, the USAID OIG made, and USAID agreed with, six recommendations for the Agency to establish comprehensive PIO policies that codify and clarify the processes for risk management and strengthen oversight of these awards.

# I SUPPORT TO MISSION

The DoD obligated \$100.2 million in support of OPE-P in FY 2018, with most of this funding used to provide contracted intelligence, surveillance, and reconnaissance support to the AFP. Outside of OPE-P, the U.S. Government provided or agreed to provide materiel to build Philippine security capacity, including aircraft, surveillance systems, and ammunition. The DoD reported that it conducts oversight of this equipment through an end use monitoring program, and all Philippine units receiving U.S. assistance are vetted to screen for past human rights violations.

## \$100.2 Million Reported in DoD Spending, but Total Cost is Difficult to Ascertain

USINDOPACOM reported that it had obligated a total of \$100.2 million for OPE-P in FY 2018.<sup>117</sup> For OPE-P, the Office of the Undersecretary of Defense (Comptroller) stated that it relies on USINDOPACOM's Requirements and Resources directorate to provide summaries of costs associated with OPE-P through reports on a recurring basis.<sup>118</sup> As of this quarter, the DoD Comptroller's office reported that it did "not have the visibility or an operational code to capture the execution level of detail necessary to track the expenditures associated with this operation."<sup>119</sup> However, DoD officials reported that USINDOPACOM components track OPE-P obligations, and the flash reports provided by USINDOPACOM reflect the incremental costs incurred since the inception of OPE-P.<sup>120</sup>

None of the costs reported to the DoD OIG for OPE-P included resources explicitly to build the capacity of the AFP, which is the third line of effort under the operation.<sup>121</sup> The difficulty of separating costs for OPE-P from the broader bilateral security relationship presents challenges in calculating the true cost of OPE-P. USINDOPACOM stated that most of the resources provided to enhance the Philippines' domestic security infrastructure were the culmination of Foreign Military Sales cases that predate and were not considered part of OPE-P.<sup>122</sup>

The largest portion of the funding reported for OPE-P in FY 2018 was for aerial support to provide video and signals intelligence, surveillance, and reconnaissance to the AFP. This included \$34.2 million in FY 2018 for contractor owned and operated aerial surveillance and \$13.1 million for U.S. Army Gray Eagle unmanned aerial surveillance support. Other reported costs included \$1.3 million for C-17 cargo plane airlift for U.S. personnel and equipment. According to the DoD, Philippine forces were reliant on their own transportation resources.<sup>123</sup> USINDOPACOM officials reported that only four U.S. aircraft, all unmanned, were listed as providing direct support for OPE-P this quarter: two RQ-7B Shadows and two MQ-1C Gray Eagles were used for intelligence, surveillance, and reconnaissance support to the AFP.<sup>124</sup>

On September 28, 2018, USINDOPACOM also awarded a contract for \$29.8 million for contractor support to provide casualty evacuation and personnel recovery to U.S. personnel in the Philippines."<sup>125</sup>



DoD Obligation for  
OPE-P in FY 2018

**\$100.2  
Million**

**The largest portion of the funding reported for OPE-P in FY 2018 was for unmanned aerial vehicle support to provide video and signals intelligence, surveillance, and reconnaissance to the AFP.**

## Foreign Military Sales and Grants to Provide Additional Counterterrorism Capacity

### SABIR SYSTEM TO IMPROVE MANNED AIRCRAFT SURVEILLANCE

The DoD has identified a lack of sophisticated intelligence, surveillance, and reconnaissance capabilities as a key challenge for the AFP, and several transfers of assets that were announced or took place during this quarter reflect efforts to improve those capabilities.<sup>126</sup> DoD officials noted that all items delivered to the AFP this quarter were the culmination of Foreign Military Sales cases that were implemented before the designation of OPE-P. While none of this materiel was provided specifically in support of OPE-P, DoD officials stated that it may have direct applications to the operation.<sup>127</sup>

In August, U.S. Ambassador to the Philippines Sung Kim presented a surveillance and reconnaissance system to Secretary Lorenzana during a transfer ceremony at Villamor Air Base, near Manila.<sup>128</sup> According to DoD officials, the Special Airborne Mission Installation and Response (SABIR) system is a bolt-on avionics module for the C-130 Hercules aircraft already in use by the AFP. The SABIR system upgrades the aircraft with advanced command and control, communications, and near-real time surveillance and reconnaissance capabilities without sacrificing the aircraft's primary function as a cargo plane.<sup>129</sup>

U.S. Embassy Manila reported that the total value of the equipment, including the costs of training, installation, and sustainment support, was \$15.1 million.<sup>130</sup> Procurement and transfer of this system were funded by the DoD through the Maritime Security Initiative, the DoD's regional partner building capacity program for Southeast Asia. The SABIR system is intended to enhance the AFP's territorial defense and maritime domain awareness in Philippine

**Two Philippine Air Force OV-10 Broncos fly over head during a combined arms live fire exercise at Colonel Ernesto Ravina Air Base, Tarlac, Philippines. (U.S. Air Force photo)**





territorial waters and exclusive economic zone, where rival territorial claims currently exist, such as in the South China Sea. DoD officials noted that the SABIR system can also be used in counterterrorism operations, such as OPE-P, in the Philippine's southern waters.<sup>131</sup>

### **OV-10 BRONCOS TO ENHANCE BOTH OBSERVATION AND ATTACK CAPABILITIES**

In July, Philippine government officials announced an agreement to take possession of four OV-10 Bronco twin-turboprop light attack and observation aircraft from the United States.<sup>132</sup> These surplus U.S. aircraft will be made available to the AFP through a Foreign Military Sales acquisition valued at approximately \$7 million, which will include the aircraft, spare parts, and transportation from the United States to the Philippines. DoD officials stated that completion of the transfer was contingent upon the Philippine government's final acceptance of the offer, which media reports indicated could take place in late 2018 for the aircraft to be ready for service in early 2019." Secretary Lorenzana told reporters that these aircraft will support the AFP's counterterrorism operations.<sup>133</sup>

**Philippine Air Force crew chiefs perform maintenance on an OV-10A/C Bronco at Clark Air Base, Philippines. (U.S. Air Force photo)**

The U.S. military used OV-10s in the Vietnam War but discontinued flying them in the mid-1990s. The Philippines is reportedly the last operator of the OV-10, with 8 to 10 aircraft active in its fleet.<sup>134</sup> DoD officials reported that the aircraft in this fleet are aging, increasing maintenance costs for the AFP.<sup>135</sup> While the existing Philippine OV-10s are capable of employing laser-guided bombs, they used only unguided munitions in operations against ISIS-P during the siege of Marawi.<sup>136</sup> The four aircraft being transferred will include U.S.-funded kits for deployment of precision guided munitions to carry out close air support missions.<sup>137</sup>

Two of the four aircraft scheduled to be delivered are the upgraded OV-10G+ variant, which include advanced outboard cameras, full-motion video, digital datalinks, a glass cockpit with digital instruments, and the ability to fire Advanced Precision Kill Weapon System Global Positioning System-guided rockets.<sup>138</sup>

### **U.S. DELIVERS AMMUNITION AND OTHER EQUIPMENT TO THE AFP**

In addition to major end items, the United States supplied the AFP with small arms and other day-to-day military provisions during the quarter that will support the full range of Philippine military activity, including operations against ISIS-P. This included more than 3 million rounds of small arms ammunition, paid for through U.S. Foreign Military Financing, which were delivered to the AFP's Light Reaction Regiment and the 15th Strike Wing in September. The AFP also took delivery of 840,000 rounds of small arms ammunition, paid for with Philippine national funds through the Foreign Military Sales program. Another Foreign Military Sales case resulted in the transfer of 250 optical sights for rocket propelled grenade launchers to the AFP in July.<sup>139</sup>

### **EMBASSY MANILA PROVIDES COUNTERTERRORISM AND LAW ENFORCEMENT TRAINING TO PHILIPPINE PARTNERS**

Separate from OPE-P, U.S. Embassy Manila announced plans in July for the DoS to contribute \$26.5 million in Counterterrorism Partnership Funds over the next year to provide counterterrorism support for Philippine law enforcement agencies. According to a press release from the Embassy, this assistance will include “training, equipment, and other support to build comprehensive law enforcement capacity within a rule of law framework to deny terrorist operations, funding, and movement; investigate and prosecute terrorism cases; and counter radicalization to violence and violent extremism.” This non-military, rule-of-law counterterrorism support is intended to complement U.S. Government efforts to build AFP capabilities as part of a whole-of-government approach to fighting terrorism in the Philippines.<sup>140</sup>

**The DoS reported to the DoD OIG that 3 AFP units and 43 personnel lost access to U.S. military training and equipment in 2017 due to Leahy law violations. As of June 20, at least 4 individuals had lost access in 2018.**

This quarter, the DoS reported that various U.S. Government departments and agencies conducted counterterrorism training and other activities in the Philippines. This included a 3-day workshop in Zamboanga City for prosecutors and law enforcement officer from the Mindanao region. Led by a U.S. Embassy-based Department of Justice representative who served as a subject matter expert on foreign terrorist fighters and financing, the workshop reportedly focused on how to develop and use digital evidence effectively in terrorism cases and trials.<sup>141</sup>

In addition, the DoS reported that it conducted 17 training courses for Philippine law enforcement during FY 2018 through the DoS Antiterrorism Assistance program and planned 33 courses for FY 2019. In addition to these training courses, the DoS planned to build an Antiterrorism Assistance-implemented Regional Counterterrorism Training Center, which will be used to train law enforcement partners from the Philippine government and from other countries in the region. The DoS reported that the Philippine government has expressed interest in hosting the training center but had not yet approved construction as of September 17, 2018.<sup>142</sup>

## **Leahy Vetting and End Use Monitoring Aim to Ensure Legitimate Use of U.S. Assistance**

USINDOPACOM reported to the DoD OIG that AFP units receiving U.S. materiel or training are vetted in accordance the “Leahy laws.” These laws generally prohibit U.S. military assistance to foreign military units that have committed gross violations of human rights.<sup>143</sup> The DoS reported to the DoD OIG that 3 AFP units and 43 personnel lost access to U.S. military training and equipment in 2017 due to Leahy law violations. As of June 20, at least 4 individuals had lost access in 2018.<sup>144</sup>

According to DoD officials, the Leahy vetting process used in OPE-P is not unique to the Philippines and is similar to the vetting process used in similar programs in other countries where the United States provides military assistance. The DoS implements the program through the U.S. Embassy; the Bureau of Democracy, Human Rights, and Labor; and the Bureau of East Asian and Pacific Affairs.<sup>145</sup>

U.S. Embassy Manila conducts the initial vetting of Philippine security force units designated to receive U.S. military assistance through the International Vetting and Security Tracking (INVEST) system. This system employs governmental, non-governmental, and media resources, including checks with local police and government. If any credible derogatory information is uncovered, the Embassy may deny or suspend the individual or unit from assistance, and a permanent record is created in INVEST.<sup>146</sup>

According to the DoD, the results of the home country vetting are then referred to the Bureau of Democracy, Human Rights, and Labor and the Bureau of East Asian and Pacific Affairs, which review U.S. Embassy Manila’s findings and conduct further review, which may include seeking additional information from credible sources, including local and international non-governmental organizations, witnesses, and victims. Until a decision is reached, the assistance in question remains on hold, and the authorization or denial is recorded in INVEST.<sup>147</sup>

In addition to Leahy vetting, the DoD’s Joint U.S. Military Assistance Group also conducts an end use monitoring program for equipment provided to the AFP with additional oversight by the Defense Security Cooperation Agency. DoD officials stated that this program provides periodic oversight through scheduled and passive inspections of defense articles provided to the Philippine government of all defense articles that fall within the scope of the policy. This includes helicopters, fixed wing aircraft, armored personnel carriers, night vision devices, and small arms.<sup>148</sup>

End use monitoring inspections provide accountability of the items and ensure that the AFP are safeguarding the equipment in accordance with the physical security requirements outlined in the DoD policy. The DoD’s most recent annual inspection of the end use monitoring program in the Philippines was graded as “satisfactory,” the highest available rating, and no discrepancies regarding end-use, unauthorized access, or security measures were noted.<sup>149</sup>

This quarter, the DoD OIG had an ongoing oversight project to evaluate U.S. train, advise, assist, and equip efforts to build and sustain the counterterrorism capabilities of the AFP. This evaluation will also address Leahy vetting in the Philippines and the DoD’s role in this process.



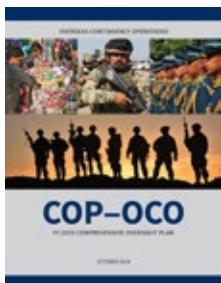
An MH-60S Sea Hawk helicopter participates in flight operations with the amphibious assault ship USS Wasp. (U.S. Navy photo)

## OVERSIGHT ACTIVITIES

This section of the report provides information on Lead IG and partner agency OPE-P-related strategic planning efforts; ongoing audits, inspections, evaluations, and investigations; and hotline activities from July 1 through September 30, 2018.

### STRATEGIC PLANNING

Pursuant to Section 8L of the Inspector General Act, the Lead IG develops and implements a joint strategic plan to guide comprehensive oversight of programs and operations for each overseas contingency operation. This effort includes reviewing and analyzing completed oversight, management, and other relevant reports to identify systemic problems, trends, lessons learned, and best practices to inform future oversight projects. The Lead IG agencies issue an annual joint strategic plan for each operation.



FY 2019  
Comprehensive  
Oversight Plan  
for Overseas  
Contingency  
Operations

### FY 2019 JOINT STRATEGIC OVERSIGHT PLAN ACTIVITIES

The first annual plan describing oversight activities for OPE-P, *The FY 2019 Joint Strategic Oversight Plan for Operation Pacific Eagle-Philippines*, was issued on October 1, 2018. The plan organized oversight projects related to OPE-P into three strategic oversight areas: Security, Humanitarian Assistance and Recovery, and Support to Mission. The strategic plan was included in the *FY 2019 Comprehensive Oversight Plan for Overseas Contingency Operations*, and will be updated annually.

### AUDIT, INSPECTION, AND EVALUATION ACTIVITY

The Lead IG agencies use permanent and temporary employees, as well as contractors to conduct oversight projects, investigate fraud and corruption, and provide strategic planning and reporting. Oversight teams travel to the Philippines and other locations in the region to

# Lead IG Strategic Oversight Areas

## SECURITY

*Security* focuses on determining the degree to which the contingency operation is accomplishing its mission to defeat violent extremists by providing security assistance to partner security forces. Activities that fall under this strategic oversight area include:

- Conducting counterterrorism operations against violent extremist organizations
- Training and equipping partner security forces
- Advising and assisting partner security forces
- Advising and assisting ministry-level security officials

## HUMANITARIAN ASSISTANCE AND RECOVERY

*Humanitarian Assistance and Recovery* focuses on aid intended to save lives, alleviate suffering, and maintain human dignity during and after conflict, as well as to prevent and strengthen preparedness for such crises. Distinct and separate from military operations, activities that fall under this strategic oversight area include:

- Providing food, water, medical care, emergency relief, and shelter to people affected by crisis
- Building resilience by supporting community-based mechanisms that incorporate national disaster risk reduction, emergency preparedness, and humanitarian response systems
- Assisting and protecting internally displaced persons and returning refugees
- Setting the conditions which enable recovery and promote strong, positive social cohesion

## SUPPORT TO MISSION

*Support to Mission* focuses on the United States' administrative, logistical, and management efforts that enable military operations, empower host-nation governance, and provide humanitarian assistance to the local population. Activities that fall under this strategic oversight area include:

- Ensuring the security of U.S. personnel and property
- Providing for the occupational health and safety of personnel
- Supporting the logistical needs of U.S. installations
- Managing government grants and contracts
- Administering government programs

conduct fieldwork for their projects. In addition, the USAID OIG has a field office in Manila that covers USAID's operations in Philippines and other countries in the region, enabling it to monitor events on the ground.

As of September 30, 2018, three oversight projects were ongoing and two were planned. Table 2 lists the project titles and objectives for the ongoing projects, and Table 3 lists the project titles and objectives for the planned projects. The Lead IG agencies and their partner agencies did not complete any reports related to OPE-P this quarter.

Table 2.

#### Ongoing Oversight Projects by Lead IG Agency, as of September 30, 2018

Project Title	Objective
<b>DEPARTMENT OF DEFENSE OFFICE OF INSPECTOR GENERAL</b>	
<b><i>Evaluation of Efforts to Train, Advise, Assist, and Equip the Armed Forces of the Republic of the Philippines</i></b>	To evaluate U.S. train, advise, assist, and equip efforts to build and sustain the capabilities of the Armed Forces of the Philippines to counter the expansion of violent extremist organizations.
<b><i>DoD Oversight of Bilateral Agreements With the Republic of the Philippines</i></b>	To determine whether the DoD has proper oversight of the logistical support provided through bilateral agreements to the Republic of the Philippines.
<b><i>Audit of U.S. Indo-Pacific Command Ranges to Support Aviation Unit Readiness</i></b>	To determine whether ranges in the U.S. Indo-Pacific Command area of responsibility effectively support aviation unit readiness.

Table 3.

#### Planned Oversight Projects by Lead IG Agency, as of September 30, 2018

Project Title	Objective
<b>DEPARTMENT OF DEFENSE OFFICE OF INSPECTOR GENERAL</b>	
<b><i>Audit of DoD Management of Wholesale Equipment in Korea</i></b>	To determine whether the Army accounted for wholesale equipment in Korea and established maintenance cycles that ensured equipment was available and deployable if needed.
<b>DEPARTMENT OF STATE OFFICE OF INSPECTOR GENERAL</b>	
<b><i>Audit of Antiterrorism Assistance Program in the Philippines and Jordan</i></b>	To determine whether the Bureau of Diplomatic Security and Bureau of Counterterrorism and Countering Violent Extremism have developed specific, measurable, and outcome-oriented objectives for the Philippine Antiterrorism Assistance (ATA) program; whether these Bureaus are effectively monitoring and evaluating ATA program participants' progress toward attaining program goals; and whether these Bureaus have established program sustainment goals.

## INVESTIGATIONS AND HOTLINE ACTIVITY

### Investigations

The investigative components of the Lead IG agencies and their partner agencies continued to conduct investigative activity related to OPE-P during the quarter.

The Lead IG agencies and partners coordinate their investigative efforts through the Fraud and Corruption Investigative Working Group, which consists of representatives from the Defense Criminal Investigative Service (the DoD OIG's investigative division), the DoS OIG, the USAID OIG, the U.S. Army Criminal Investigation Command, the Naval Criminal Investigative Service, and the Air Force Office of Special Investigations.

During the quarter, the DoS OIG initiated an investigative project to examine the potential for contract fraud related to OPE-P and the overall theater of operation.

### USAID OIG HOLDS OVERSIGHT ROUNDTABLE IN WASHINGTON, DC

The USAID OIG proactively provides fraud awareness briefings and literature, audiovisual aids, and advice on fraud prevention strategies to USAID personnel and employees of foreign assistance.

In July 2018, the USAID OIG hosted an oversight roundtable with more than 130 representatives from 54 different USAID humanitarian implementers to discuss methods to detect and deter organized crime, fraud schemes, and sexual exploitation in humanitarian assistance operations. The USAID Administrator and other U.S. Government officials participated in the day-long event.

The roundtable provided attendees with an overview of how the USAID OIG provides oversight to USAID humanitarian operations, as well as how it collaborates with other donors and public international organizations to prevent fraud. The USAID OIG presenters stressed the importance of implementers engaging in fraud prevention activities, such as unannounced warehouse and vendor visits, establishing a quality control program that compares bid sample to delivered products, and expanding mandatory conflict of interest declarations by employees to include armed groups.

### Hotline

Each Lead IG agency maintains its own hotline to receive complaints and contacts specific to its agency. The hotlines provide a confidential, reliable means for individuals to report violations of law, rule, or regulation; mismanagement; gross waste of funds; and abuse of authority for independent review. A DoD OIG investigator coordinates the hotline contacts among the Lead IG agencies and others as appropriate. This quarter, the investigator did not receive any complaints related to OPE-P.







**USMC assault amphibious vehicles depart the well deck of the amphibious dock landing ship USS Ashland during well deck operations.  
(U.S. Navy photo)**

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## APPENDIX

# Methodology for Preparing Lead IG Quarterly Report to Congress

This report is issued pursuant to sections 2, 4, and 8L of the Inspector General Act of 1978, which requires that the designated Lead IG provide a quarterly report, available to the public, on each overseas contingency operation. The DoD Inspector General is the designated Lead IG for OPE-P. The DoS Inspector General is the Associate Lead Inspector General for OPE-P.

This report contains information from the three Lead IG agencies—DoD OIG, DoS OIG, and USAID OIG—as well as from partner oversight agencies. This report covers the period from July 1 through September 30, 2018.

To fulfill the congressional mandate to produce a quarterly report on OPE-P, the Lead IG gathers data and information from Federal agencies and open sources. Data and information used in this report are attributed to their source in endnotes to the text or notes to the tables and figures. Except for references to Lead IG and oversight partner agency audits, inspections, evaluations, or investigations, the Lead IG has not independently verified and assessed all the data provided by other sources and included in this report. The humanitarian assistance section is based on public UN documents, and information provided by USAID and the DoS.

### DATA CALL

Each quarter, the Lead IG agencies direct a series of questions, or data calls, to agencies about their programs and operations related to OPE-P. The Lead IG agencies use the information provided by their respective agencies for quarterly reports and to determine where to conduct future audits and evaluations.

The agencies that responded to the data call for this quarter included the following:

- Department of Defense
- Department of State
- U.S. Agency for International Development

### OPEN-SOURCE RESEARCH

This report also draws on current, publicly available information from reputable sources. Sources used in this report include the following:

- Information publicly released by U.S. Government departments and agencies
- Congressional testimonies
- Press conferences, especially DoD and DoS briefings
- United Nations (and relevant branches)
- Reports issued by non-governmental or research organizations
- Media reports

Materials collected through open source research also provide information to describe the status of OPE-P, and help the Lead IG agencies assess information provided in their respective agency data call. However, in light of the operational realities and dynamic nature of OPE-P, the Lead IG agencies have limited time and ability to test, verify, and independently assess the assertions made by these agencies or open sources. This is particularly true where the Lead IG agencies have not yet provided oversight of these assertions through audits, inspections, or evaluations.

## REPORT PRODUCTION

The Lead IG is responsible for assembling and producing this report. As the Lead IG, the DoD OIG coordinates with the DoS OIG and the USAID OIG, which draft sections of the report related to the activities of their agencies. Each of the three OIGs participates in reviewing and editing the entire quarterly report.

The DoD OIG, DoS OIG, and USAID OIG provide the agencies who have responded to the data call with two opportunities to verify and comment on the content of the report. During the first review, agencies are asked to correct any inaccuracies and provide additional documentation. The three OIGs incorporate agency comments, where appropriate, and send the report back to the agencies for a final review for accuracy. Each OIG coordinates the review process with its own agency.

## ACRONYMS

Acronym		Acronym	
AFP	Armed Forces of the Philippines	Lead IG	Lead Inspector General
AKP	Ansar Khalifa Philippines	MILF	Moro Islamic Liberation Front
BIFF	Bangsamoro Islamic Freedom Fighters	OCHA	Office of the Coordination of Humanitarian Affairs
DoD	Department of Defense	OCO	Overseas Contingency Operations
DoS	Department of State	OFDA	Office of U.S. Foreign Disaster Assistance
FFP	Office of Food for Peace	OIG	Office of Inspector General
FY	fiscal year	OPE-P	Operation Pacific Eagle-Philippines
GAO	Government Accountability Office	SOA	strategic oversight area
IDP	internally displaced person	START	Syrian Transition Assistance Reponse Team
IED	improvised explosive device	Treasury	U.S. Department of the Treasury
INVEST	International Vetting and Security Tracking	UN	United Nations
ISIS	Islamic State of Iraq and Syria	USAID	United States Agency for International Development
ISIS-P	Islamic State of Iraq and Syria-Philippines	USINDOPACOM	U.S. Indo-Pacific Command
Lead IG Agencies	DoD OIG, DoS OIG, and USAID OIG	WFP	United Nations World Food Programme



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An MV-22 Osprey approaches the amphibious assault ship USS Wasp during flight operations in the Philippine Sea. (U.S. Navy photo)



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