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Testimony

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# IRAQ AND AFGHANISTAN

## Security, Economic, and Governance Challenges to Rebuilding Efforts Should Be Addressed in U.S. Strategies

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**GAO**

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Highlights of [GAO-09-476T](#), testimony before the House Armed Services Committee

## Why GAO Did This Study

From fiscal year 2001 through July 2008, Congress provided more than \$808 billion to the Department of Defense (DOD) for the Global War on Terrorism, including military operations in Iraq and Afghanistan. Moreover, since fiscal year 2003, about \$49 billion has been provided to U.S. agencies for reconstruction and stabilization in Iraq and \$32 billion for similar efforts in Afghanistan since fiscal year 2002. In February 2009, President Obama announced a new U.S. strategy for Iraq and plans to develop a new comprehensive strategy for Afghanistan.

This statement is based on GAO's extensive body of work—more than 150 products since 2003—examining U.S. efforts in Iraq and Afghanistan.

## What GAO Recommends

Since 2003, GAO has made recommendations to DOD, the Department of State, the U.S. Agency for International Development, and other agencies to improve the effectiveness and efficiency of U.S. efforts in Iraq and Afghanistan. In particular, GAO has recommended that the U.S. government develop detailed and updated strategies and operational plans to guide these efforts. The agencies have efforts under way to implement some of these recommendations.

View [GAO-09-476T](#) or key components. For more information, contact Jacquelyn Williams-Bridgers at (202) 512-3101 or [williamsbridgersj@gao.gov](mailto:williamsbridgersj@gao.gov).

## IRAQ AND AFGHANISTAN

### Security, Economic, and Governance Challenges to Rebuilding Efforts Should Be Addressed in U.S. Strategies

#### What GAO Found

While U.S. efforts face unique circumstances in Iraq and Afghanistan, success in both countries depends on addressing three common challenges: (1) establishing and maintaining a basic level of security, (2) building a sustainable economic foundation, and (3) holding governments accountable for political commitments and building their capacity to govern. These challenges underscore the need for comprehensive U.S. strategies that optimize U.S. strategic interests, host country priorities, and the international community's resources and expertise.

In Iraq, much U.S.-funded reconstruction took place prior to July 2007 in an environment of deteriorating security. Oil, electricity, and water projects were subject to insurgent attacks and threats, which raised costs and caused delays. While violence has declined, security conditions remain fragile, according to DOD. Iraq's oil resources provide a foundation for economic growth. However, Iraq's investment in infrastructure has been limited, despite budget surpluses. The government's limited capacity to deliver services poses a challenge as well. The United States has held the government to commitments to pass key legislation and hold elections, but further progress in reconciliation, such as legislation to share oil and gas revenues and resolve claims over disputed territories, is needed.

In Afghanistan, a lack of security has put U.S.-funded infrastructure projects, development of Afghan security forces, and other efforts at risk. Projects have been delayed and costs increased. The drug trade helps finance the Taliban and other insurgents and contributes to instability. Given Afghanistan's poor economy, the country's development will depend on foreign assistance. The Afghanistan National Development Strategy, established with U.S. and international support, is underfunded and may not be financially viable. The Afghan government's lack of capacity also hinders the country from meeting its development goals. The ministries do not have the personnel with the expertise to maintain U.S. and other donor-financed infrastructure projects, and corruption exacerbates this problem.

As it further defines and develops its strategies for Iraq and Afghanistan, the Administration should incorporate characteristics of an effective national strategy. Both strategies should clearly define the objectives of U.S. efforts and measures to assess progress; identify risks; estimate costs; and integrate U.S., international, and host country efforts. For example, the strategy for Iraq should clarify what conditions the United States expects to achieve to ensure that troops are drawn down responsibly. The U.S. strategy for Afghanistan should estimate the cost of helping the country implement its development strategy. It should also assess the risk to U.S. infrastructure investments if Afghanistan does not obtain the donor assistance and technical capacity to maintain them. Finally, U.S. strategies should guide the development and implementation of interagency operational plans and sector level plans.

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Mr. Chairman and Members of the Committee:

I am pleased to be here today to discuss challenges to rebuilding Iraq and Afghanistan and the importance of comprehensive U.S. strategies and plans to guide these efforts. U.S. efforts in Iraq and Afghanistan include building or repairing infrastructure needed to provide electricity, water, and other essential services; developing security forces; and strengthening government capabilities.

The Bush Administration established high-level goals—or desired end states—for U.S. involvement in Iraq and Afghanistan. In Iraq, U.S. efforts were aimed at ensuring that no safe haven for terrorists exists and fostering a peaceful, united, stable, and democratic country, well integrated into the international community, and acting as a full partner in the war on terror. In Afghanistan, the United States has sought to eliminate a safe haven for terrorists and gain a reliable, stable ally in the war on terror that was moderate and democratic, with a thriving private sector economy, capable of governing its territory and borders, and respectful of the rights of all its citizens. In February 2009, President Obama announced a new U.S. strategy for Iraq and stated that his administration was developing a new comprehensive strategy for Afghanistan.

My statement today is based on GAO's extensive body of work examining U.S. efforts in Iraq and Afghanistan. Since 2003, we have issued more than 150 products related to these two countries, and currently have additional work ongoing in both. We have conducted extensive on-the-ground work in both countries, involving our office teams in Iraq and multiple field visits. Our reports incorporate and analyze information from and meetings with Iraqi and Afghan officials; U.S. officials in Iraq, Afghanistan, and Washington, D.C., including the Departments of Defense (DOD), State (State), Justice, Energy, and the Treasury (Treasury); the U.S. Agency for International Development (USAID); the Army Corps of Engineers; the Defense Intelligence Agency; and the Drug Enforcement Administration. In addition, we obtained and analyzed information from representatives of coalition military forces and commands, including the U.S.-led Multinational Force-Iraq (MNF-I) and the NATO-led International Security Assistance Force (ISAF), and international organizations, including the United Nations (UN), the International Monetary Fund, and the World Bank. Our work was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable

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basis for our findings and conclusions based on our audit objectives. A list of GAO reports and testimonies related to these topics can be located at <http://www.gao.gov/docsearch/featured/oif.html>. For further information relating to our work on Iraq and Afghanistan, go to <http://www.gao.gov/media/video/gao-09-294sp>.

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## Background

In Iraq, a U.S.-led coalition undertook military operations in 2003 and removed the ruling Ba'ath regime from power. Since then, Iraq has formed a constitutional government, and the United States has led efforts to stabilize and rebuild the country. The United States has employed numerous strategies and plans to address the security and reconstruction needs of Iraq since late 2003. In January 2007, to address the high levels of violence, the Bush Administration announced *The New Way Forward* strategy. The documents that comprise this strategy and the phase that follows clearly state the importance that the administration placed on continued U.S. support for Iraq, but only articulated goals and objectives for the near-term phase that ended in July 2008. Under a November 2008 security agreement between the United States and Iraq,<sup>1</sup> the United States must withdraw all of its forces by the end of 2011, unless the two countries mutually agree to extend the deadline.

In Afghanistan, U.S.-led coalition forces forcibly removed the Taliban regime from power in 2001 in response to its protection of al Qaeda terrorists that attacked the United States. Less than 2 months later, the UN established a framework for a new Afghan government. Since then, Afghanistan has formed a constitutional government. Both the United States and the international community have important roles in stabilization and reconstruction efforts. In 2008, the Afghan government, with the support and cooperation of the United States and others in the international community, finalized the 5-year Afghanistan National Development Strategy, defining the vision, principles, and goals for the country's development. In the final days of the Bush Administration, DOD

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<sup>1</sup>*Agreement Between the United States of America and the Republic of Iraq on the Withdrawal of United States Forces from Iraq and the Organization of Their Activities during Their Temporary Presence in Iraq*, Nov. 17, 2008. The agreement took effect Jan. 1, 2009.

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issued a report to Congress that included “a description of the comprehensive strategy of the United States for security and stability”.<sup>2</sup>

The United States faces fundamentally different economic situations in its effort to rebuild Iraq and Afghanistan. (See app. I for comparative information on the two countries.)

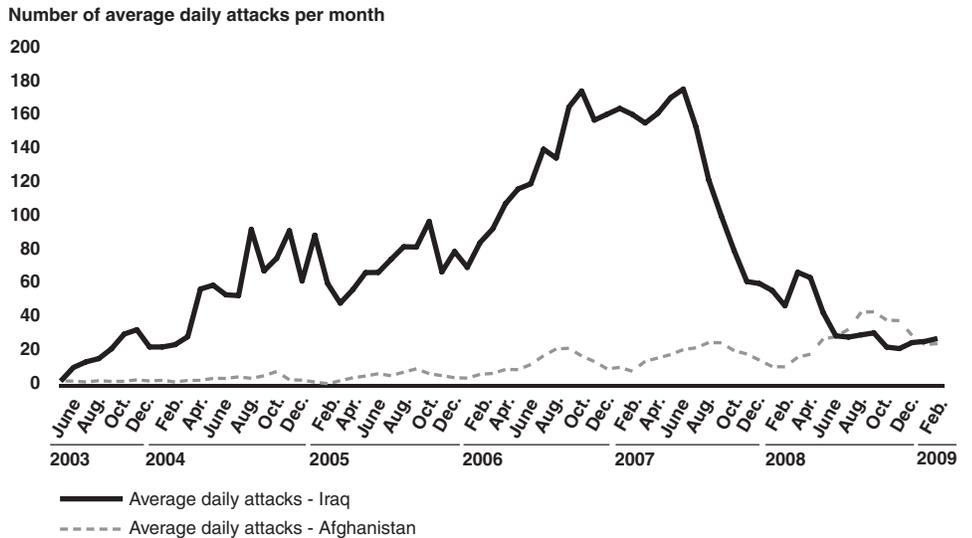
- By 2003, Iraq’s infrastructure had deteriorated due to neglect from the previous regime, international sanctions, and years of conflict. However, Iraq’s economy is based on the world’s third largest oil reserves, and, with a per capita income of about \$4,000, it is classified as a middle income country by the World Bank. Iraq has a population of 29 million, about 74 percent of which is literate, and life expectancy at birth is 70 years. The country has a network of roads, railway service, and 19 airports with paved runways over 3,000 meters. About 67 percent of Iraq’s population is urban. The country consists predominantly of broad plains, and it has access to the Persian Gulf.
- By 2001, almost 3 decades of war and years of drought had destroyed Afghanistan’s government, judicial and economic institutions, and its infrastructure. Afghanistan has very limited accessible natural resources and with a per capita income of about \$800 is classified as a low income country. It has a population of 33 million, approximately 28 percent of which is literate, and life expectancy at birth is 45 years. The country has limited paved roads, no railway, and four airports with paved runways over 3,000 meters. About 24 percent of Afghanistan’s population is urban. Afghanistan has a land area about one-third larger than Iraq and is predominantly mountainous and land-locked.

The level of insurgent violence has changed drastically in both Iraq and Afghanistan during the past several years, as illustrated in figure 1. In mid-2008, the number of enemy attacks per month in Afghanistan first surpassed that of Iraq. As of February 2009, attack levels were slightly higher in Iraq than Afghanistan.

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<sup>2</sup>DOD, Report to Congress in Accordance with the 2008 National Defense Authorization Act (Section 1230, P.L. 110-181), *Report on Progress toward Security and Stability in Afghanistan* (Washington, D.C.: Jan. 2009).

**Figure 1: Enemy-Initiated Attacks in Iraq and Afghanistan Per Month, May 2003 through February 2009**



Source: GAO analysis of Department of Defense data.

As of January 2009, the United States had about 144,000 troops in Iraq as part of MNF-I. According to DOD and MNF-I officials, the United States plans to reduce the number of combat troops to about 128,000 by September 2009. This troop drawdown would represent two combat brigades and their support units, reducing the number of U.S. brigades from 14 to 12.

The United States had about 32,800 troops in Afghanistan as of January 2009, including 13,900 deployed to the NATO-led ISAF and 18,900 deployed to U.S.-led Operation Enduring Freedom efforts. According to DOD officials, an additional 17,700 U.S. troops will be deployed to Afghanistan, most of them under ISAF command.

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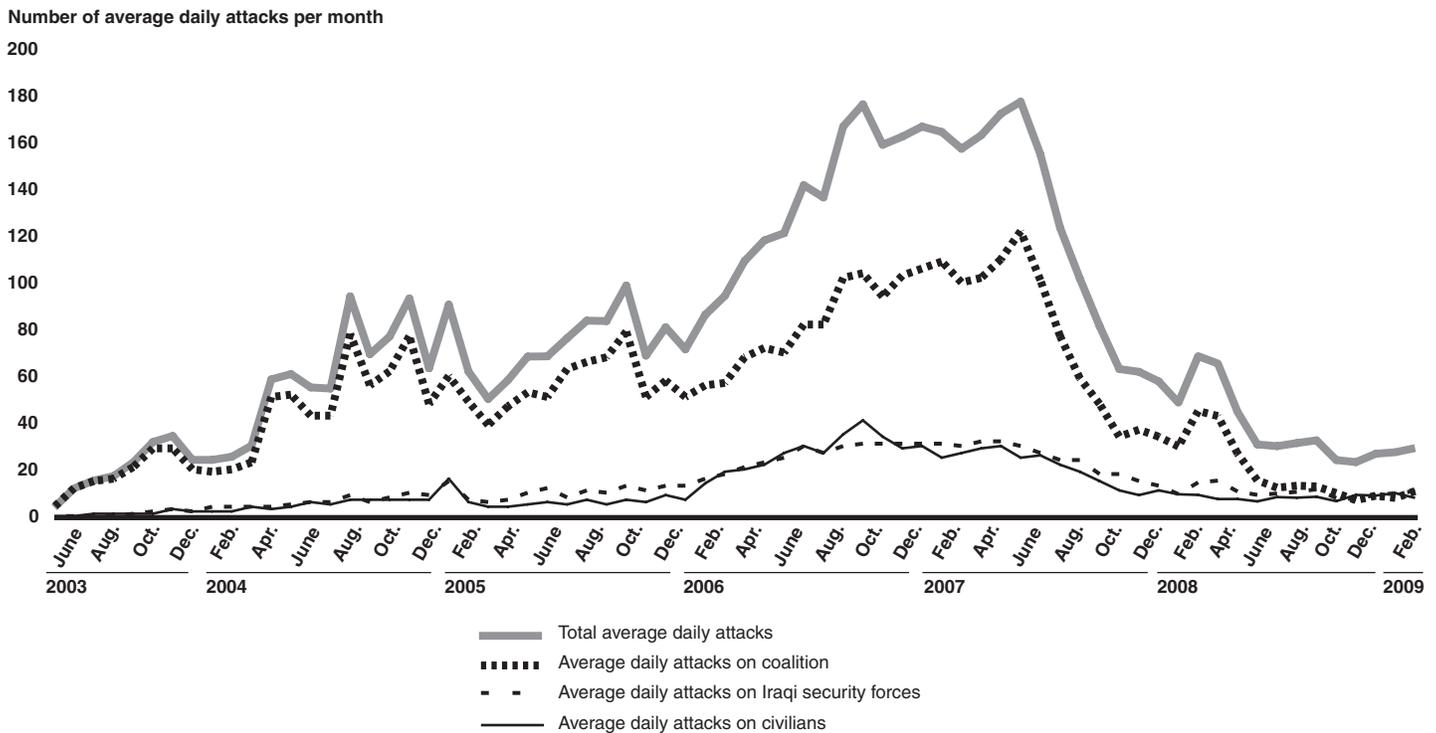
## U.S. Reconstruction Efforts in Iraq Faced Security, Economic, and Governance Challenges

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### Establishing and Maintaining a Basic Level of Security Is Essential for Progress in Reconstruction

At the outset of the U.S. reconstruction effort in Iraq, the United States assumed that it would face a permissive security situation that would enable reconstruction to progress quickly and steadily. However, a lack of security, among other factors, undermined U.S. efforts to restore essential services—oil production, electricity generation, and water treatment—to a standard acceptable to and accessible by all Iraqi citizens. Since 2003, U.S. agencies have provided about \$10 billion for reconstruction activities in the oil, electricity, and water sectors. Most U.S. reconstruction funds were spent in the deteriorating security environment that existed in Iraq prior to July 2007. Numerous security problems resulted in delays in the design and execution of projects, increased the cost of providing security services for contractors and sites, and reduced scopes of work. In the oil sector, insurgents attacked oil pipelines, destroyed other key infrastructure, threatened workers, compromised the transport of materials, and hindered project completion and repairs. In the electricity sector, insurgents repeatedly sabotaged major transmission and fuel lines, cutting power to various parts of the country. Moreover, poor security has prevented the successful implementation of long-term training programs for Iraqi citizens to create the local capacity needed to operate and maintain U.S.-funded projects. Figure 2 illustrates the number of enemy-initiated attacks in Iraq since May 2003.

**Figure 2: Enemy-Initiated Attacks Per Month in Iraq, May 2003 through February 2009**



Source: GAO analysis of Department of Defense data.

Although the security situation remains fragile, according to DOD, violence has decreased significantly over the past 2 years: enemy-initiated attacks decreased from a peak of about 180 per day in June 2007 to about 30 per day in February 2009. Security gains have largely resulted from (1) the increase in U.S. combat forces that allowed a change in tactics and the adoption of counterinsurgency techniques, (2) the creation of nongovernmental security forces such as Sons of Iraq, and (3) the Mahdi Army’s declaration of a cease fire.

To help achieve security in Iraq and facilitate the eventual drawdown of U.S. troops, the United States has provided about \$22 billion since 2003 to develop Iraqi security forces and transfer security responsibilities to the Iraqi government. Further, the Iraqi army and police forces nearly doubled in size from about 320,000 personnel in January 2007 to just over 600,000 in October 2008. Although many Iraqi units are leading counterinsurgency

operations, DOD reports that only about 10 percent of all Iraqi army units are deemed capable of performing operations without coalition assistance.<sup>3</sup> Several factors have complicated the development of capable Iraqi security forces, including the lack of a single unified force, sectarian and militia influences, continued dependence on U.S. and coalition forces for combat support, and Iraqi training and leadership shortages.

### Despite a Substantial Budget Surplus, Iraq Has Spent Few Resources on Reconstruction Projects Necessary for Economic Growth

The United States had assumed that, after an initial U.S. investment in restoring Iraq's infrastructure, Iraq and the international community would take financial responsibility for Iraqi reconstruction. However, the Iraqi government's spending on infrastructure for the oil production, electricity, and water sectors has not been adequate to meet the needs of the Iraqi people for essential services.

With large oil reserves, Iraq possesses the resources to finance its own reconstruction. Nevertheless, although Iraq has generated budget surpluses since 2005, it has spent small percentages of its capital investment budgets on needed infrastructure projects. As table 1 illustrates, from 2005 through 2008, Iraq generated an estimated \$164 billion in cumulative revenues, primarily from crude oil export sales, but spent only about \$117 billion. As of December 2008, Iraq had amassed an estimated cumulative surplus of about \$47 billion.

**Table 1: Iraqi Revenues, Expenditures, and Surpluses, 2005-2008**

(Billions of U.S. dollars)	2005	2006	2007	2008	Total 2005-2008
Total Revenues	\$24.1	\$32	\$39.9	\$67.8	\$163.7
Ministry of Finance Expenditures	17.6	22.8	26.6	49.5	116.5
Surplus	\$6.5	\$9.2	\$13.3	\$18.3	\$47.3

Source: GAO analysis of CBI and IMF data and the Iraqi Ministry of Finance's budget.

Note: GAO previously projected that Iraq could have a cumulative surplus of between \$67 billion and \$79 billion by the end of 2008. The revised estimate presented here reflects the impact of declining oil prices and increased spending by the Iraqi government during the second half of 2008.

<sup>3</sup>See DOD, Report to Congress in Accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), *Measuring Stability and Security in Iraq* (Washington, D.C.: Dec. 2008).

The international community has offered Iraq almost \$12 billion in loans to help finance reconstruction projects. As of January 2009, Iraq had entered into agreements to borrow only about one-third of this amount. In addition, international donors have provided about \$5.6 billion in bilateral or multilateral grants. To help Iraq attract foreign investment, some official creditors have forgiven loans taken under the previous regime. Treasury officials estimate that Iraq's debt to foreign creditors has shrunk from about \$120 billion at the end of 2004—an amount almost 5 times the size of Iraq's economy at the time—to between about \$49 and \$77 billion in January 2009.

Despite its substantial budget surplus and international assistance, Iraq has not spent the resources it set aside for reconstruction efforts essential to its economic recovery. As table 2 indicates, Iraq has spent about 12 percent, or \$2 billion, of the \$17.2 billion it allocated for reconstruction activities in the oil, electricity, and water sectors. In contrast, U.S. agencies have spent almost 90 percent, or \$9.5 billion, of the \$10.9 billion Congress made available for investment activities in these sectors since fiscal year 2003. Moreover, Iraqi ministries have consistently spent far higher percentages of their operational budgets, which include employee compensation, than they have of their investment budgets, which include infrastructure construction costs.

**Table 2: U.S. and Iraq Allocations and Spending for Selected Sectors (U.S. dollars in billions)**

Sectors	Investment Needed	U.S. Government		Government of Iraq	
		March 2003–October 2008	March 2003–June 2008	2005-2008	2005-2008
		Allocated	Spent <sup>a</sup>	Allocated	Spent <sup>a</sup>
Oil	\$25-75 <sup>b</sup>	\$2.7	\$2.5	\$10.8	\$0.7
Electricity	27-54 <sup>c</sup>	5.3	4.8	5.2	0.8
Water resources	14 <sup>d</sup>	2.9	2.2	1.3	0.6
<b>Total</b>	<b>\$66-143</b>	<b>\$10.9</b>	<b>\$9.5 (87%)</b>	<b>\$17.2</b>	<b>\$2.0 (12%)</b>

Source: GAO analysis of Iraq Ministry of Finance budgets and expenditures and State, DOD, USAID, and Treasury data.

Note: The Iraqi figures refer to investment expenses that include capital goods and capital projects. The sums may differ from totals due to rounding.

<sup>a</sup>This refers to funds disbursed by U.S. agencies and funds expended by the respective Iraqi ministries.

<sup>b</sup>Investment needed in the oil sector to achieve a production target of 6 million barrels per day, according to the Ministry of Oil.

<sup>c</sup>Investment needed in the electricity sector to provide reliable electricity across Iraq by 2015, according to the Ministry of Electricity and U.S. government officials.

<sup>d</sup>World Bank estimate.

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Oil exports account for about 90 percent of Iraq's revenue, and the government's ability to fund reconstruction efforts and provide essential services to its population depends, in part, on sustaining and increasing oil production and exports. In the preliminary 2009 Iraqi budget, the Iraqi government projects a budget deficit of \$16 million, in part due to lower expected oil revenues. According to Treasury, Iraq's cumulative budget surpluses would sufficiently cover this deficit.

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### Ensuring Political Commitment and Improving Government Capacity Are Critical

To promote national reconciliation and unify the country, the Iraqi government committed in 2006 to address political grievances among Iraq's Shi'a, Sunni, and Kurd populations. In 2007, the Bush Administration pledged to hold the Iraqi government to this commitment, with some results. Since September 2007, after considerable debate and compromise among Iraq's political blocs, the Iraqi government has enacted five of seven laws intended to promote national reconciliation, including de-Ba'athification reform, amnesty, provincial powers legislation, and two election laws. In addition, the Iraqi government has successfully held five elections since 2005, including provincial elections in January 2009, intended to address Sunni concerns about lack of representation on Provincial Councils.

Nonetheless, the Iraqi government still has key political commitments to meet. In particular, it has not enacted hydrocarbon legislation, which would define the sharing of oil and gas revenues for all Iraqis and could promote international investment. Further, Iraq has not completed a constitutional review or mandated processes to deal with claims over disputed territories, especially oil-rich Kirkuk, where political tensions remain high, according to a December 2008 DOD report.<sup>4</sup> Nor has Iraq passed a law to demobilize militias.

The success of the Iraqi government's efforts to increase its legitimacy and counter the insurgent threat depends, in large part, on its ability to expand oil exports and provide essential services, such as electricity and clean water, to all Iraqi communities. However, capacity problems have limited the Iraqi government's progress in meeting the need for these services. For example, based on U.S. and UN reporting, inadequate operating and maintenance practices and the lack of skilled technicians inhibit an effective electrical infrastructure. As a result, although improvements have

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<sup>4</sup>See DOD, *Measuring Stability and Security in Iraq*.

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been made, Iraq continues to experience electrical shortages despite billions of dollars invested.

Iraq's government faces several challenges in building its capacity to govern. Its ministries have significant shortages of personnel who can formulate budgets, procure goods and services, and perform other vital ministry tasks. U.S. mission assessments have noted the Iraqi government's limited capacity to provide services to the Iraqi people due to weak technical expertise, limitations in managers' skills, and an inability to identify and articulate strategic priorities, among other factors. Also, despite measures to strengthen the Inspectors General and other Iraqi anti-corruption entities, corruption is pervasive in the ministries. In 2008, Transparency International ranked Iraq 178 out of 180 countries on its Corruption Perception Index—worse than its 2005 ranking. According to a December 2008 DOD report, this corruption is an impediment to reconstruction and stabilization.<sup>5</sup>

The United States has altered its approach to Iraqi government capacity development over time. Since 2005, multiple U.S. agencies have led individual efforts to improve the capacity of Iraq's ministries without having an overall integrated strategy. In 2007, the U.S. strategy for Iraq emphasized the need to build capacity in Iraq's ministries and help the government execute its capital investment budgets. In response, U.S. capacity development efforts shifted emphasis to helping Iraqi ministries overcome their inability to spend their capital investment budgets. In June 2008, State and Treasury created a new Public Financial Management Action Group to help integrate and coordinate U.S. government assistance to improve budget execution. Also, State has hired a contractor to develop a strategic planning document for ministry capacity development in Iraq.

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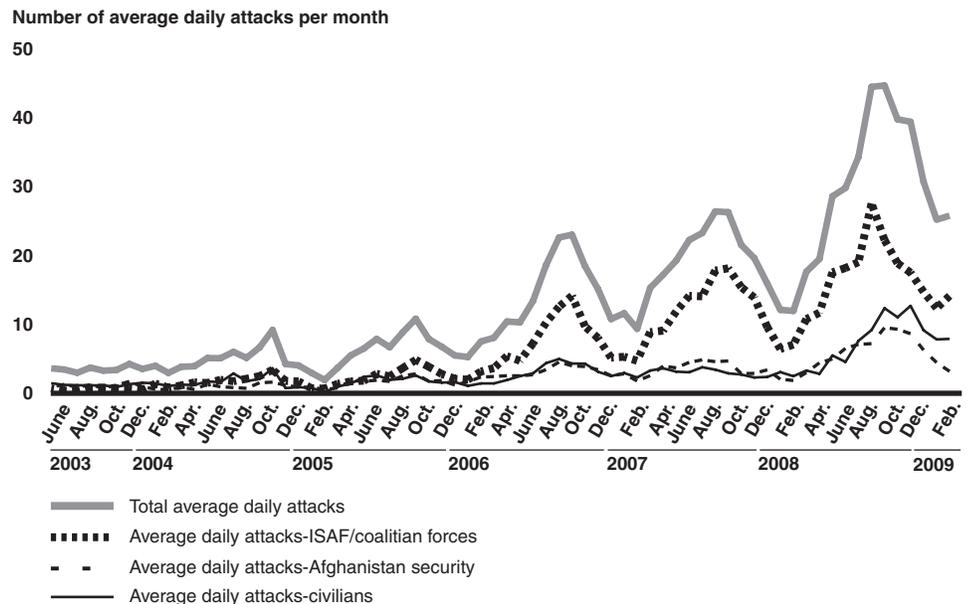
<sup>5</sup>See DOD, *Measuring Stability and Security in Iraq*.

# U.S. Efforts in Afghanistan Face Security, Economic, and Governance Challenges

## As Security Situation Worsens, U.S. Focuses on Building Afghan National Security Forces and Combating Narcotics Trafficking

Security and stability in Afghanistan have deteriorated in the past 3 years. In the first several years of the war, Afghanistan was relatively stable and secure and attacks by Taliban insurgents on U.S. soldiers were rare. However, since 2006, the insurgency has reasserted itself, resulting in an escalation of violence, especially against U.S. and coalition forces. As illustrated in figure 3, enemy attacks on civilians as well as Afghan and coalition forces increased from an average of about 5 per day in January 2006 to around 25 per day in February 2009.

**Figure 3: Enemy-Initiated Attacks Per Month in Afghanistan, May 2003 through February 2009**



Source: GAO analysis of Department of Defense data.

Insurgents have increasingly used improvised explosive devices and focused on infrastructure projects as their targets. This violence has had deleterious effects on U.S. and allied security and support operations as

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well as reconstruction efforts in Afghanistan. For example, DOD and State officials have reported that the efforts to train Afghan National Security Forces (ANSF) are hindered by inadequate force protection and a shortage of personnel. Furthermore, according to USAID, a wide range of development programs, including road reconstruction and power generation, faced significant cost increases and were delayed or abandoned due to a lack of security.

Since 2002, the United States has provided about \$18 billion for the development of ANSF, which are comprised of the Afghan National Army and the Afghan National Police. This has been a keystone effort in achieving the long-term security that would allow the drawdown of U.S. and allied security forces. However, progress has been relatively slow. According to DOD, as of December 2008, only about 18 army units and 18 police units were considered fully capable of performing their missions. We previously reported that ANSF development efforts face a number of significant challenges, including:

- Addressing shortages in staff to train and equip the ANSF;
- Improving the recruitment and retention of ANSF personnel, especially for leadership and specialty skill positions, such as those involving logistics, medical support, and engineering;
- Completing the retraining of the Afghan police to address corruption and improve professional standards;
- Developing the ability of ANSF units to fully safeguard and account for weapons and sensitive equipment.

Counternarcotics in Afghanistan has been another key U.S. undertaking to achieve a secure environment. Afghanistan provides over 90 percent of the world's opium, which is refined into heroin. This drug trade helps fund the Taliban and other anti-government groups and has undermined the Afghan government's effort to address internal security problems, build political stability, and establish legitimate economic growth and the rule of law. Since 2002, the United States has provided nearly \$3 billion for counternarcotics programs. State, DOD, USAID, and Department of Justice components, including the Drug Enforcement Administration, have supported poppy eradication, interdiction, justice reform and prosecution, public information, and alternative development.

Since 2005, poppy cultivation has become more localized. Dramatically reduced in northern Afghanistan, it has greatly increased in the south. In 2008, 98 percent of Afghanistan's opium was cultivated in 7 of its 34

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provinces, all in the south, where many of the insurgent attacks occur. One province, Helmand, accounted for 66 percent of the total. USAID's Alternative Development Program has had mixed results so far. Although it exceeded targets for providing alternative employment and agricultural training to Afghans in traditional poppy-growing regions, it fell short of its goals for reducing the number of hectares devoted to opium poppy production between 2005 and 2007, according to USAID's Office of Inspector General.

In December 2008, acknowledging that global and regional terrorists finance their activities with drug money, DOD changed its rules of engagement for U.S. forces in Afghanistan, allowing DOD greater involvement in counternarcotics, and ISAF has also expanded its role. We have recently initiated a review of U.S. counternarcotics efforts in Afghanistan to assess their impact on the drug trade, security, and economic development.

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**Given Weak Economic Conditions, Afghanistan Is Highly Dependent on Sustained Foreign Development Assistance**

Afghanistan is one of the world's poorest countries and ranks near the bottom in virtually every development indicator, including life expectancy; literacy; nutrition; and infant, child, and maternal mortality. Nearly three decades of war and extended drought have devastated Afghanistan's infrastructure, economy, and government. Furthermore, Afghanistan's prospects for growth are severely limited by weak economic factors, such as low government revenue, high rates of inflation, and limited access to credit for most Afghan citizens.

Given these circumstances, Afghanistan will be highly dependent for the foreseeable future on foreign aid to achieve its economic development objectives, which the Afghan government has articulated in its Afghanistan National Development Strategy. However, this strategy does not appear financially viable, given the country's fiscal constraints, without additional foreign aid. As table 3 below shows, Afghanistan's planned expenditures for economic development exceed anticipated revenues, including both domestic revenues and donor contributions; this shortfall is expected to increase over time. Donor assistance accounts for about 90 percent of Afghanistan's total funding during the 2008-2009 budget year, but this assistance is expected to decline to about 70 percent of total funding by the 2012-2013 Afghan budget year.

**Table 3: Overall Funding and Expenditures for the Afghanistan National Development Strategy by Budget Year, in Millions of U.S. Dollars**

	2008/09	2009/10	2010/11	2011/12	2012/13	Total
<b>Total funding</b>	<b>7,400</b>	<b>6,064</b>	<b>6,165</b>	<b>6,009</b>	<b>5,819</b>	<b>31,457</b>
Domestic revenue	887	1,104	1,351	1,611	1,911	6,864
Total donor assistance	6,513	4,960	4,814	4,398	3,908	24,593
<b>Total expenditures</b>	<b>7,903</b>	<b>9,286</b>	<b>10,236</b>	<b>11,038</b>	<b>11,637</b>	<b>50,100</b>
<b>Total shortfall</b>	<b>503</b>	<b>3,222</b>	<b>4,071</b>	<b>5,029</b>	<b>5,818</b>	<b>18,643</b>

Source: Afghanistan National Development Strategy.

The United States and other international partners have undertaken numerous infrastructure and development projects with the Afghan National Development Strategy as their guiding document. As of December 2008, the United States has provided nearly \$9 billion for economic and social development projects. However, the Afghan government lacks the resources and capacity to sustain these projects. For example, as we reported in 2008, although the United States and its international partners have constructed a vital network of new roads in Afghanistan to support trade and economic growth, the Afghan government did not establish a sustainable maintenance program.<sup>6</sup> Hence, for the foreseeable future, the Afghan government will have to rely on technical and financial assistance from the international community to maintain the roads. To be effective over the long term, infrastructure programs will need to be designed and implemented with an accompanying stream of operational and maintenance funding.

USAID has reported some notable successes in basic education and health development in Afghanistan. In 2008, according to USAID, more than 6 million children attended school in Afghanistan, including almost 2 million girls, compared with less than 1 million children and no girls under the Taliban. In September 2008, 80 percent of the population had access to health care, up from 8 percent in 2001. If sustained, these types of improvements have the potential to help bolster Afghanistan's long-term economic development.

<sup>6</sup>See GAO, *Afghanistan Reconstruction: Progress Made in Constructing Roads, but Assessments for Determining Impact and a Sustainable Maintenance Program Are Needed*, [GAO-08-689](#) (Washington, D.C.: July 8, 2008).

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## Limited Government Capacity Impedes Afghanistan's Ability to Meet Reconstruction Objectives

The Afghanistan National Development Strategy established a comprehensive set of objectives, which include bringing about peace and security, eliminating corruption, developing the economy, increasing the participation of women, and ensuring appropriate care of the environment, among others. To help achieve these objectives, the Afghan government has committed to a broad range of social, economic, and government reforms, with the United States contributing nearly \$2 billion since 2002 for democracy, governance, and rule of law assistance.

A lack of Afghan capacity in almost all aspects of governance remains a major constraint to fulfilling reform commitments and achieving the objectives of the Afghan National Development Strategy. Afghanistan's history of limited availability of education and essential services has resulted in a widespread lack of literacy and job skills, which poses problems for Afghan government ministries in recruiting qualified government personnel, such as police, prosecutors, investigators, and trained administrative staff. Often, even senior Afghan officials lack basic computer skills, according to U.S. officials, making it difficult to use modern management systems. U.S. and UN officials have noted a lack of literacy among some senior provincial government officials. Moreover, according to U.S. officials, retention of trained Afghan staff has been difficult for government ministries, which must compete with the international donor community for trained staff.

As a result, Afghanistan lacks the capacity to sustain and maintain many programs and projects put in place by donors. For example, as we reported in 2008, a fragmented institutional organization within the Afghan government was a factor impeding the establishment of a sustainable road maintenance program.<sup>7</sup> In addition, USAID's Inspector General found that, for a U.S.-funded project to establish urban water and sanitation systems, Afghan system operators were not adequately trained. In addition, the cognizant Afghan ministries did not have adequate plans in place to ensure financial and operational sustainability. According to U.S. officials, most major official development programs include capacity building, and USAID has noted overall improvement among government ministries and institutions in recent years, particularly in the Ministries of Finance, Education, Public Health, and Rural Rehabilitation and Development. However, none was rated by USAID as capable of achieving its mission without assistance.

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<sup>7</sup>See [GAO-08-689](#).

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Afghanistan's capacity problems are exacerbated by corruption, a significant problem in the country. In 2008, Afghanistan was ranked 176 out of 180 countries on Transparency International's Corruption Perception Index—worse than its 2005 ranking. According to the Afghanistan National Development Strategy, the causes of corruption in Afghan public administration can be attributed to a variety of factors, including weak legislative and regulatory frameworks and limited enforcement; nontransparent personnel policies and low wages for public officials; and the availability of illegal profits through the opium trade. Furthermore, the sudden influx of substantial amounts of donor money into a system already weak from poorly regulated procurement practices increases the risk of corruption and the waste of resources.

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## U.S. Efforts Should Be Guided by Comprehensive U.S. Strategies and Operational Plans

In February 2009, President Obama outlined a new strategy for Iraq consisting of three parts: (1) the responsible removal of combat brigades, (2) sustained diplomacy on behalf of a more peaceful and prosperous Iraq, and (3) comprehensive U.S. engagement across the region. According to DOD, the United States plans to reduce the number of troops in Iraq to about 128,000 by September 2009 and to no more than 50,000 by the end of August 2010. In Afghanistan, President Obama announced plans to deploy 17,000 additional troops and indicated that he intends to send more. He also announced plans to develop a new U.S. strategy for Afghanistan.

In clarifying its new U.S. strategy for Iraq and developing a new strategy for Afghanistan, the Administration should consider several desirable characteristics of an effective national strategy that we identified in previous reports.<sup>8</sup> These include discussion of the strategy's goals, objectives, and measures; risks and threats; future costs and resources needed; roles and responsibilities of U.S. government agencies; and integration with international organizations and host governments.

- *Goals, objectives, and measures.* Given the significant challenges in both Iraq and Afghanistan, the Administration should clearly articulate the overall objectives for U.S. efforts, such as the security, economic, and

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<sup>8</sup>See GAO, *Rebuilding Iraq: More Comprehensive National Strategy Needed to Help Achieve U.S. Goals*, [GAO-06-788](#), (Washington, D.C.: Jul. 11, 2006); *Combating Terrorism: Evaluation of Selected Characteristics in National Strategies Related to Terrorism*, [GAO-04-408T](#) (Washington, D.C.: Feb. 3, 2004); and *Defense Management: Comprehensive Strategy and Periodic Reporting Are Needed to Gauge Progress and Costs of DOD's Global Posture Restructuring*, [GAO 06-486C](#) (Washington, D.C.: May 26, 2006).

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political conditions it expects the countries to achieve with U.S. assistance. Further, the Administration should measure progress in achieving those conditions. For Iraq, the Administration has emphasized the importance of a responsible drawdown of U.S. forces but has not yet defined this term.<sup>9</sup>

- *Risks and threats.* U.S. strategies should assess potential vulnerabilities, such as internal and external risks to security, economic, and governance conditions in Iraq and Afghanistan. Furthermore, the Administration should consider how to mitigate and address these risks and threats. For example, the strategy for Iraq should consider how the United States would respond if it does not achieve the conditions for a responsible drawdown consistent with the security agreement between the United States and Iraq. The strategies should also assess the risk that the Iraqi and Afghan governments will not be able to maintain U.S.-funded infrastructure investments due to a lack of financial resources or technical capacity, particularly in Afghanistan, where the national development plan is not financially viable without donor assistance. For Afghanistan, the U.S. strategy should address risks posed by neighboring countries that can profoundly influence security and stability—particularly Pakistan. The Administration should also develop strategies to minimize those risks. In February 2009, we recommended that the United States establish a comprehensive plan for countering terrorist threats in Pakistan that have tended to destabilize Afghanistan.<sup>10</sup>
- *Future costs and resources.* U.S. strategies should indicate the funding resources needed to achieve their objectives, as well as the troop levels the United States expects to commit and the length of time it expects to provide these resources. For example, the costs of drawing down U.S. forces in Iraq and ramping them up in Afghanistan will be considerable but have not been fully estimated. In addition, the U.S. strategy for Afghanistan should estimate the cost of helping Afghanistan meet the goals of the Afghanistan National Development Strategy.
- *U.S. agency roles and responsibilities and integration with international organizations and host governments.* A wide variety of U.S. agencies and international organizations have significant roles in Iraq and Afghanistan, including DOD, the Departments of State, Treasury, and

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<sup>9</sup>See GAO, *Iraq: Key Issues for Congressional Oversight*, [GAO-09-294SP](#) (Washington, D.C.: March 24, 2009).

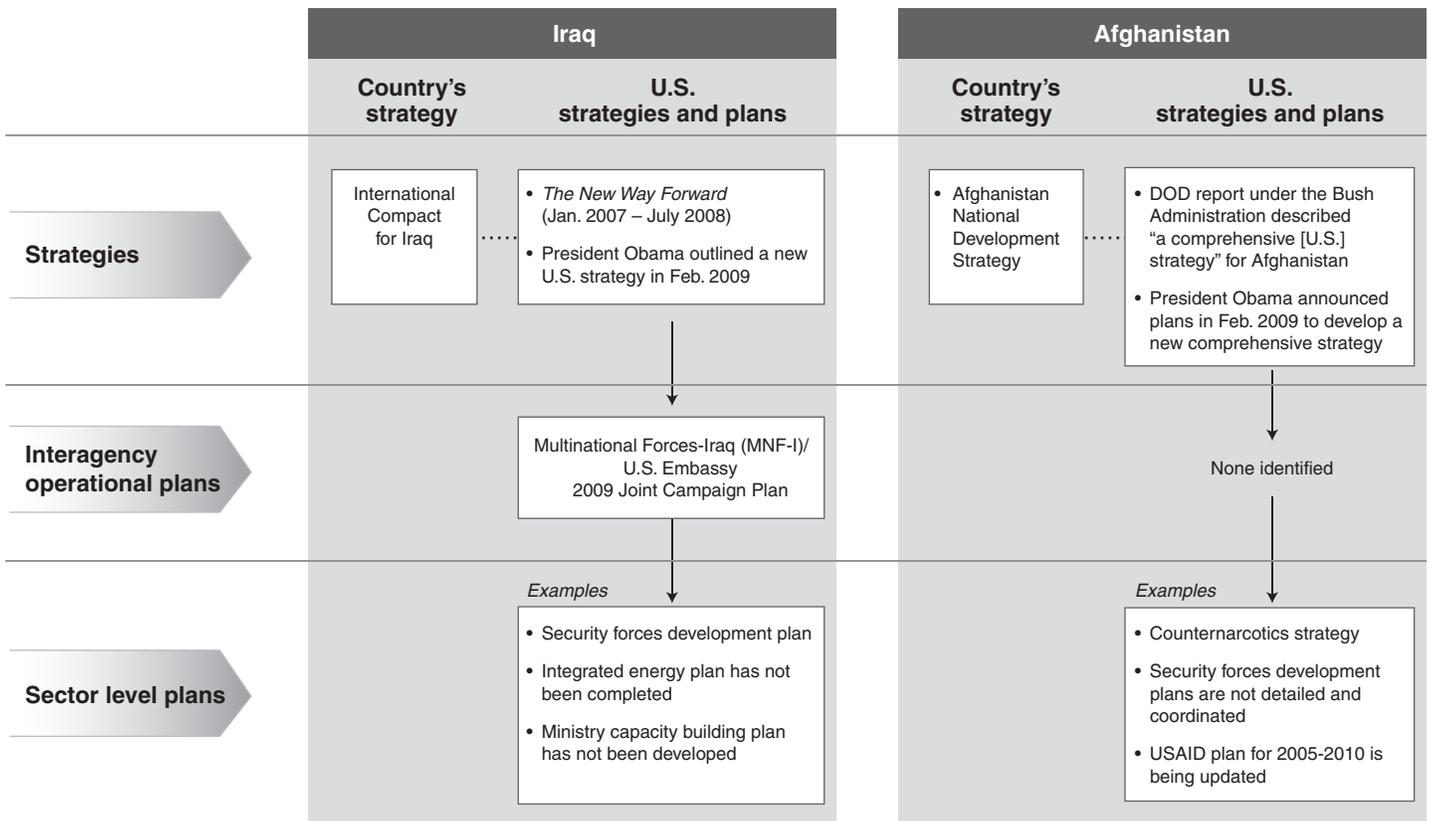
<sup>10</sup>See GAO, *Combating Terrorism: The United States Lacks Comprehensive Plan to Destroy the Terrorist Threat and Close the Safe Haven in Pakistan's Federally Administered Tribal Areas*, [GAO-08-622](#) (Washington, D.C.: Apr. 2008).

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Justice, USAID, the UN, and the World Bank. Comprehensive U.S. strategies should discuss mechanisms and approaches for integrating and coordinating their efforts. On a U.S. interagency level, these mechanisms should help ensure that roles and responsibilities are clearly defined and that all the elements of U.S. national power, including military, diplomatic, intelligence, law enforcement, economic, and development assistance, are focused effectively on achieving U.S. objectives. Furthermore, in clarifying the U.S. strategy in Iraq, the United States needs to consider how to transition from a predominantly military presence to a civilian one as U.S. forces draw down. On an international level, the role, responsibilities, commitments, and activities of all the organizations involved, including the host governments themselves, should be clearly defined and coordinated to prioritize the spending of limited resources and avoid unnecessary duplication.

U.S. national strategies guide the development and implementation of operational plans. However, to date, U.S. government agencies have not developed a comprehensive set of plans for U.S. operations in Iraq and Afghanistan. See figure 4 for a depiction of existing U.S. strategies, operational and sector plans for Iraq and Afghanistan, and gaps we have observed.

**Figure 4: U.S. Strategies and Plans for Iraq and Afghanistan**



Source: GAO analysis of State, DOD, and USAID data.

For Iraq, the United States established an interagency plan—the MNF-I/U.S. Embassy Joint Campaign Plan—for the implementation of U.S. efforts in Iraq. According to DOD, the United States is pursuing efforts along five lines of operation: political, security, economic, diplomatic, and rule of law. As the Administration further defines the new U.S. strategy for Iraq, the 2009 Joint Campaign Plan should also be revised and link the administration’s high-level strategic objectives to the objectives of tactics and activities on the ground. In accordance with U.S. military doctrine and consistent with the U.S. strategy, the updated plan should clearly articulate the end state for U.S. military operations and the conditions to be achieved for drawing down troops.<sup>11</sup> State, DOD, USAID, and

<sup>11</sup>See [GAO-09-294SP](#).

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Department of Justice officials we met with did not provide us a comparable interagency operational plan for Afghanistan.

The United States has developed a number of operational plans at the sector level to guide U.S. efforts, such as an interagency counternarcotics strategy for Afghanistan. However, plans are still needed in other key areas. For Iraq, we recommended that State lead the development of an integrated energy plan as well and a plan for building ministry capacity.<sup>12</sup> For Afghanistan, DOD and State have not developed coordinated and detailed plans for building and sustaining the ANSF. Without these plans, Congress cannot readily assess progress of these efforts or conduct necessary oversight.<sup>13</sup> This is particularly important given the challenges facing the ANSF development effort, its estimated cost of \$2 billion per year, and the recent decision to increase the Afghan army from 80,000 to 134,000 troops.

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## Conclusions

Since 2003, GAO has made recommendations to DOD, State, USAID, and other agencies to improve the efficiency and effectiveness of their efforts in Iraq and Afghanistan. Our recommendations address the wide range of security, economic development, and governance challenges that these agencies face. In responding to these challenges, we have recommended that the U.S. government develop detailed and comprehensive strategies, interagency operational plans, and sector plans to guide its efforts. These strategies and plans should be updated as circumstances change to reflect new considerations of U.S. strategic objectives and interests, projected costs, risks, and other vital factors.

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Mr. Chairman and members of the committee, this concludes my prepared statement. I will be happy to answer any questions you may have.

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<sup>12</sup>See GAO, *Stabilizing and Rebuilding Iraq: U.S. Ministry Capacity Development Efforts Need an Overall Integrated Strategy to Guide Efforts and Manage Risk*, [GAO-08-117](#) (Washington, D.C.: Oct. 2007); and *Rebuilding Iraq: Integrated Strategic Plan Needed to Help Restore Iraq's Oil and Electricity Sectors*, [GAO-07-677](#) (Washington, D.C.: May 15, 2007).

<sup>13</sup>See GAO, *Afghanistan Security: Further Congressional Action May Be Needed to Ensure Completion of a Detailed Plan to Develop and Sustain Capable Afghan National Security Forces*, [GAO-08-661](#) (Washington, D.C.: June 18, 2008)

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# Appendix I: Comparative Information on Iraq and Afghanistan

Indicator	Iraq	Afghanistan
Area	166,858 sq. miles (about twice the size of Idaho)	250,001 sq. miles (slightly smaller than Texas)
Border countries	<ul style="list-style-type: none"> <li>• Iran</li> <li>• Jordan</li> <li>• Kuwait</li> <li>• Saudi Arabia</li> <li>• Syria</li> <li>• Turkey</li> </ul>	<ul style="list-style-type: none"> <li>• China</li> <li>• Iran</li> <li>• Pakistan</li> <li>• Tajikistan</li> <li>• Turkmenistan</li> <li>• Uzbekistan</li> </ul>
Terrain	Predominantly broad plains	Mostly rugged mountains
Population	About 29 million	About 33 million
Ethnic groups	<ul style="list-style-type: none"> <li>• Arab: 75% to 80%</li> <li>• Kurdish: 15% to 20%</li> <li>• Turkoman, Assyrian, or other: 5%</li> </ul>	<ul style="list-style-type: none"> <li>• Pashtun: 42%</li> <li>• Tajik: 27%</li> <li>• Hazara: 9%</li> <li>• Uzbek: 9%</li> <li>• Aimak: 4%</li> <li>• Turkmen: 3%</li> <li>• Baloch: 2%</li> <li>• Other: 4%</li> </ul>
Religions	Shia Muslim: 60%-65% Sunni Muslim: 32%-37% Christian or other: 3%	Sunni Muslim: 80% Shia Muslim: 19% Other: 1%
Languages	<ul style="list-style-type: none"> <li>• Arabic</li> <li>• Kurdish (official in Kurdish Region)</li> <li>• Turkoman</li> <li>• Assyrian (Neo Aramaic)</li> <li>• Armenian</li> </ul>	<ul style="list-style-type: none"> <li>• Afghan Persian or Dari (official): 50%</li> <li>• Pashto (official): 35%</li> <li>• Turkic languages (primarily Uzbek and Turkmen): 11%</li> <li>• 30 minor languages (primarily Balochi and Pashai): 4%</li> </ul>
Urban population as percentage of total population	67%	24%
Type of government	Parliamentary democracy	Islamic republic
Administrative divisions	18 governorates (or provinces) and 1 region (Kurdistan Regional Government)	34 provinces
Political Stability <sup>a</sup>	0.5 percentile	1.4 percentile
Corruption Perception Index (CPI) <sup>b</sup>	1.3; Iraq is ranked 178 out of 180 countries	1.5; Afghanistan is ranked 176 out of 180 countries
Gross domestic product (GDP) in billions of U.S. dollars (official exchange rate)	\$93.8	\$12.9
GDP purchasing power parity (PPP), in billions of U.S. dollars	\$113.9	\$26.3
GDP per capita (PPP)	\$4,000	\$800

<b>Indicator</b>	<b>Iraq</b>	<b>Afghanistan</b>
Domestic revenue as percentage of GDP <sup>c</sup>	75.9%	7%
Grants as a percentage of government revenue <sup>c</sup>	2.1%	135.7%
Literacy (age 15 and over can read and write)	74% (male: 84.1%; female: 64.2%)	28% (male: 43.1%; female:12.6%)
Life expectancy at birth	69.9 years	44.6 years
Infant mortality rate	44 deaths/1,000 live births	152 deaths/1,000 live births
Average daily enemy-initiated attacks <sup>d</sup>	About 30 in February 2009: high of about 180 in June 2007	About 25 in February 2009: high of about 45 in Sept. 2008
U.S. forces <sup>e</sup>	144,100 troops	32,800 troops
Reconstruction and other assistance, in billions of U.S. dollars <sup>f</sup>	\$26.24	\$13.88
Assistance for development of security forces, in billions of U.S. dollars <sup>f</sup>	\$22.47	\$17.98

Note: Data source is the CIA 2008 World Factbook unless otherwise indicated.

<sup>a</sup>World Bank World Wide Governance Indicators, 2007. The political stability and absence of violence indicator measures the perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including domestic violence and terrorism. Countries are ranked on a percentage basis from 0 to 100.

<sup>b</sup>Transparency International Corruption Perceptions Index, 2008. This index measures the perceived levels of public-sector corruption in a given country and is a composite index, drawing on different expert and business surveys. The 2008 Corruption Perceptions Index scores 180 countries on a scale from zero (highly corrupt) to ten (highly clean).

<sup>c</sup>International Monetary Fund, 2007/2008 and GAO calculations.

<sup>d</sup>Defense Intelligence Agency, January 2009.

<sup>e</sup>DOD; data as of January 2009.

<sup>f</sup>GAO analysis of funding reports from Departments of State, Defense, and the Treasury; Army Corps of Engineers; USAID; and the Special Inspector General for Iraq.

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